

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
ENVIRONMENTAL MANAGEMENT ADVISORY BOARD
PUBLIC MEETING

AUGUSTA TOWERS AND CONVENTION CENTER
2651 Perimeter Parkway
Augusta, Georgia 30909

March 22-23, 2006

VOLUME I

The above-entitled meeting was called to
order at 9:00 a.m. by James A. Ajello, Chairman.

EXECUTIVE COURT REPORTERS

ENVIRONMENTAL MANAGEMENT ADVISORY BOARD MEMBERS

MR. JAMES A. AJELLO (CHAIRMAN)
Reliant Energy, Inc.

MR. C. STEPHEN ALLRED
Consultant

MS. LORRAINE ANDERSON
Arvada City Council

MR. A. JAMES BARNES
Professor (via telephone)

DR. DENNIS FERRIGNO
CAF & Associates, LLC

MS. JENNIFER A. SALISBURY
Attorney-at-Law

MR. DAVID SWINDLE
IAP World Services, Inc.

MR. THOMAS WINSTON
Ohio Environmental Protection Agency
(not present)

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1 P R O C E E D I N G S

2 JAMES A. AJELLO: Good morning, all, and welcome.

3 My name is Jim Ajello, I'm the Chairman of the
4 Environmental Management Advisory Board and I welcome you to
5 our public meeting this morning.

6 I have a few opening remarks to make and then we
7 will get into the agenda.

8 The agenda, by the way, will be, if not already,
9 posted outside on the table so that you might be able to
10 follow along and that will help you this morning in
11 reviewing the agenda and previewing what our conversations
12 will be like this morning.

13 I have just a few opening remarks.

14 First of all, if you will please silence your cell
15 phones or Blackberries or PDA's so that we might be
16 uninterrupted by that and we will have a productive meeting.

17 I'd like to indicate that not all of our Board
18 Members are with us this morning. Jim Barnes is on the
19 phone and participating that way, but Tom Winston is not
20 able to be with us. Other than that, the Board is present
21 and given that we have placed official notice in the Federal
22 Register a month ago, the meeting will be constituted.

23 A few opening items.

24 The Board had a very productive day yesterday. We
25 were visiting the Savannah River Site and the Syndicated

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1 Labs and I dare to say that we had -. We were very
2 impressed by the activities underway at the site. The site,
3 as most of you know, is an enormous enterprise spanning some
4 three hundred and ten square miles with about ten thousand
5 employees. I was also struck by the fact that about -. The
6 activity was really happening on about ten percent of the
7 property there, so, fully ninety percent of the property is
8 not associated with the actual production or risk mitigation
9 activities. It was a very, very interesting activity given
10 the fact that there are some one thousand facilities or had
11 been one thousand facilities on the site.

12 So, I would like to thank all of the folks at
13 Savannah River for hosting us yesterday, for making the day
14 very productive.

15 This is the first time that the Board, in a number
16 of years, probably four or five-years, has been out visiting
17 a site. I dare say it was a very enlightening experience,
18 one that will help us do our jobs better in advising the
19 Assistant Secretary in his mission.

20 So, we appreciate all of the cooperation that we
21 received from the site personnel, the contractors, the local
22 community. It was a very, very productive undertaking.

23 With respect to EMAB, itself, as most of you know,
24 information about the Board is available on the EMAB and EM
25 web sites so you can review our activities or past

1 resolutions, reports, background of the Board Members and so
2 I won't take any time this morning to review that, but I
3 invite you to review that information.

4 So, without any further ado, I'd like to introduce
5 Jim Rispoli who has some opening remarks. This has been a
6 traditional part of our agenda and this morning will be no
7 different.

8 Jim, good morning and welcome.

9 JAMES A. RISPOLI: Good morning. Thank you for
10 the nice introduction and it is good to see you all again
11 and thanks to all of those who have taken time out to join
12 in from the community. It is good to see you all.

13 I'd just like to start by saying that as far as we
14 can recall, this is the first time since 1992, is it, or
15 1994, that we have had a meeting other than a Washington, DC
16 location. I'd like to get your feedback on that, when all
17 is said and done, to bring this to a community where we have
18 a lot of activity and let's the Board see the site and let's
19 the community, if they wish, to be here to see us. I just
20 wanted to mention that this may be, if you think it is
21 appropriate, may be something that we continue to do.

22 Another thing that I would like to do is to thank
23 the members of the Board. I know that you do this pro bono.
24 We cover, hopefully, your expenses. Having done a lot of
25 that type of work, professional type of work, pro bono, I

1 know that it is not an easy thing to do. Those who do it
2 realize that you have to carve time out from whatever else
3 you would like to be doing on those days to do these types
4 of things, not just for our Advisory Board, but any of this
5 type of pro bono activity where you share your expertise
6 with us. I just want you to know that I really do
7 appreciate it.

8 I believe, in just my first meeting with you and
9 talking with you all, talking with your Chair and others on
10 this Board, that we really do value what you do and I just
11 want to acknowledge that and thank you for doing what you
12 do.

13 I was just also looking over some older notes and
14 sometimes when I was taking these older notes from my
15 contacts with you, I was so new. I wasn't realizing it, but
16 I know that some of our EM Staff would smile when I would
17 mention some of these things.

18 The number one thing that I took away from the
19 last time that we conversed was that we needed to have a
20 better focus on performance-based contracts. We had to have
21 bolder incentives, I think is the wording that we used, that
22 we had to do more significant things.

23 By the way, you all at that time already did
24 support the concept of us having Deputy Assistant Secretary
25 for Acquisition and Project Management. I know that you

1 have had a chance to meet him. He is here in the room
2 today. I think you know our other Deputy Assistant
3 Secretaries because they are here and have been before, but
4 the one new fellow here on the block is Jack Serash who is
5 sitting back here. So, we have made that step and Jack is
6 now there to begin to bring the focus to both the pre-award
7 activities as well as the execution focus that we need in
8 managing our projects through the contracts that we have,
9 which you recommend be a bolder performance-based contract
10 system. So, all of those little pieces tie together.

11 I think that you brought up a very interesting
12 observation that our metrics are in disconnect, that the
13 gold charts don't flow down to the site level and that we do
14 something to look at our metrics. Of course, I think that
15 to many in EM, the gold charts have become institutionalized
16 and perhaps they are a good way to communicate with our
17 outside stakeholders, but I believe your point is that as
18 far as you have metric that can't flow down and don't flow
19 down in a very real way to the sites.

20 The next thing in my notes, I think, get a smile
21 out of Charlie Anderson because we were talking about this
22 just yesterday.

23 We have systemic disconnects, Charlie, between
24 life-cycle baseline, individual contract baseline.

25 Now, we were just talking about this yesterday

1 because we were looking at some of our numbers and in some
2 places we have for the same PBS as many as three or four
3 numbers.

4 Is it the life-cycle cost?

5 Is the total project cost?

6 Why is it one number over here and another number
7 in the budget and another number over here?

8 I was looking at the notes and saying, "Isn't this
9 true?"

10 I mean this is the type of information you have
11 brought to us and we are dealing with these issues and it
12 goes to show that these are, I think, significant things.

13 I won't cover all of the things, but I think that
14 you also talked about risk analysis and the need to beef
15 that up.

16 We also spent quite a bit of time talking about
17 end states. That is a very significant part of what we have
18 to do. You have to know to what level you are going to
19 clean something up before you can target your cost and
20 schedule. To think that you can do it without end states is
21 probably not correct, but I think that you also were
22 discussing ways that we might do that better.

23 I don't want to spend the time of giving you back
24 all of the things that you gave to us, but the point is, it
25 is interesting that when you first brought some of these up,

1 I was fairly new and then as you get into it, actually, in
2 these cases, you were right on. So, I appreciate that and
3 hope that we can continue to do that.

4 You are going to be hearing from a number of our
5 senior managers today. I'll be staying only through about
6 1:30 or 2:00 and then I am getting over to the site. You
7 set up some how better weather for me today than you did for
8 yourselves yesterday, but I am heading over there today. It
9 is not because I am not interested in what you are doing,
10 but we will have our senior managers here and then as before
11 I look forward to the feedback at the end of your
12 deliberations and I think that will be very helpful and I
13 will be here for the sessions through the early afternoon as
14 well. So, I thank you for that.

15 I'd like to crystallize, perhaps, if I could, what
16 have become my own focus areas. We have all of these things
17 that we would like to see happen, but, really, you can boil
18 them down and fit them to within this framework.

19 The first has to be, number one, is safety. It
20 has to be safety.

21 I will talk more about each of these in a minute.

22 Number two is risk reduction, which, I mean, is
23 getting the job done and not just managing things and places
24 that are safer, but actually reducing the risk throughout
25 the Department of Energy's complex. So, that is actually

1 the substance of doing the job, getting the job done.

2 Thirdly, doing it to a high-performing
3 organization that has a good handle on project execution
4 through the contracts that we have.

5 Next is organizational alignment and integrated
6 human capital management planning. We have talked about
7 that and you will be hearing from Jim Fiore today on that as
8 well.

9 And then, certainly very relevant, this is not a
10 focus area, but I think that you have to have this, is the
11 feedback and lesson learned and you are one of the major
12 feedback mechanisms that we have in addition to internal
13 ones and other site-specific advisory boards, for example.

14 So, I think, if you think about what we are trying
15 to do, it all fits into those focus areas in one way or
16 another.

17 Let me talk about each one just a little bit.

18 In safety, I am not just talking about operational
19 safety. I am also talking about what I have come to
20 recognize as the importance of safety in engineering. You
21 don't have to look very far to find examples of where, by
22 not making decisions on safety timely, we have wound up with
23 significant setbacks. One of them is right here, you might
24 have called it by the salt waste processing facility you saw
25 at the site yesterday where we are now looking at a two-year

1 delay in the operational date of that facility.
2 Fortunately, we have other interim steps in place that can
3 begin to process the waste without a, you might say, a
4 significant impact on the startup, but what it will impact
5 is that we will be able to deal with only the more
6 radioactive fractions of waste and it has had a smaller
7 volume metric through put until we get our major facility on
8 line and the major facility is delayed because we didn't get
9 the safety things nailed down early enough.

10 I talked about this in both committee hearings as
11 well as in members of Congress offices about this particular
12 project.

13 What it really comes down to is why would anyone
14 knowingly build a facility when you know that it is not up
15 to the standards that it should be, whether it be building
16 codes or somebody building a high rise?

17 Why would you use a fifty-year old building code
18 or a twenty-year old building code if we have learned now
19 that we need to do things differently and do it better and
20 that is what we were confronted with in this situation?

21 Why would we knowingly build a structure above
22 ground level with radioactive materials passing through it
23 and run the risk of those materials exposing the workers or
24 the site or the public, the community, because we didn't
25 build it to the appropriate standards?

1 Why would anyone do that?

2 I think that when it is expressed that way, well
3 then people understand why we are currently in delay. That
4 doesn't correct the fact that we should have dealt with that
5 issue much sooner, resolve it much sooner. It affects other
6 significant projects as well.

7 So, safety is not just the operational safety to
8 deal with the safety aspects of design, we realize that we
9 ought to make better use of the federal project director,
10 the contractor's expertise, the project team that often
11 brings expertise that no one person can have.

12 Do these reviews early in the design process and
13 make the decisions early in the design process so that we
14 don't continue with that mode of having those decisions
15 bumped down stream. It is not because any one involved is
16 deliberately doing this. I think that, you know, people are
17 engaged in healthy dialogue. It is not always that clear
18 cut what the proper performance category of the building is.

19 It is not always that clear cut, but somebody has
20 to be watching the clock and say, "You know, by this point,
21 we must make this decision because it won't get better if we
22 let it go on without making this decision."

23 Operational safety, you know, we operate probably
24 one of the most inherently hazardous operations in the
25 nation. I think of it and I'm sure that you do, too, but if

1 you were a worker at a nuclear power plant and you went to
2 that whatever your job space is, whether it is in the
3 control room or whether you are controlling the operation or
4 whether it be an operational part of the plant and you walk
5 in every day on your shift, it is likely to be the same
6 today as it was yesterday. You know what the hazards are.
7 You know what the processes are and you know what you are
8 dealing with. We don't have that.

9 Our people, yeah, maybe there is a fork lift
10 driver that is moving drums every day where is lifting
11 drums, but one day he is lifting a drum and the bottom falls
12 out or maybe he is moving a drum and it goes on fire because
13 it is not that same controlled environment that other
14 nuclear workers deal with. So, that makes it, for our
15 managers, and some of them are in this room, I think,
16 exponentially more difficult to deal with the hazards and
17 yet we can never lose focus on the fact that we are dealing
18 with these nuclear issues and we have to protect the
19 workers, the public, the community. Every worker is a human
20 being and they all have the same actual entitlement to go
21 home at the end of the day the same way that they are right
22 now.

23 An interesting thing came up just Monday,
24 actually, it was brought out by our Environment, Safety and
25 Health people that we were running fifteen lock out tag out

1 near misses a month. Now, think of that in this way. Every
2 other day, a supervisor or worker decides to work on an
3 electrical line without making sure that it is locked out
4 and de-energized. Now, why would we do that? Why would we
5 do that when we have professional electricians, professional
6 supervisors and foremen and people who are in charge, why
7 would you, every other day, permit someone to work on lines
8 that are not proven to be de-energized?

9 That is the occupational safety, that is not even
10 nuclear safety. That is just plain old occupational safety.

11 So, clearly, we have got to do something different
12 in safety.

13 I know that when I have been in positions where
14 you can directly affect the workforce, you not only use the
15 incentives, but you also have the downsides of not having a
16 safe operation.

17 I was in a conference last Friday where an agency
18 had said that you are not safe when you are ignoring the job
19 that you are doing because you will never have another one
20 of those. You will not get another job with us if you are
21 not at a good end in the safety spectrum.

22 Now, I don't know if we can do that easily but
23 that would certainly get management's attention. Right now,
24 management is subject to withholding a fee within the
25 contract, like at all of our major sites including Savannah

1 River Site, has done that recently, withheld fee for within
2 a contract. They are also subject in this nuclear
3 enforcement under Price/Anderson Act where they can then be
4 fined. All of that is still not accomplishing or getting
5 rid of things like having a lock out/tag out near miss every
6 other day. So, I think that we have to be more creative.
7 We have got to start doing it in other ways. I was just
8 mentioning that when I was in charge, we had not so good
9 safety. When I became aware of it, we would keep a file
10 card by a superintendent and we let everybody know who
11 wasn't a superintendent know we had a file card. If a
12 superintendent started to have too many accidents or near
13 misses, maybe they shouldn't be a superintendent or a
14 foreman any more.

15 Now, these workers don't work for us, they work
16 for a contractor. I think we need to come up with better
17 ways to both incentivize and educate, but then there has to
18 be some accountability because we are dealing with human
19 beings and their safety and their lives. I think that has
20 to be number one.

21 I think that if we, in honesty, were struggling to
22 find better ways to do this because we have reached a
23 plateau where -. We are better than industry averages, but
24 that is really not good enough because of the repercussions,
25 the impacts of any of these events happening all over in our

1 nuclear world, but I think we just have to do better.

2 Secondly, as I mentioned, is risk reduction,
3 getting the job done, effective identification of management
4 risks, but then actually getting the clean up done, not just
5 managing it in place, but making a difference, getting it
6 done and getting all of our sites re-mediated. We do that
7 through project execution. We have our work portfolio
8 broken out into about a hundred and forty five billion
9 dollars portfolio broken out into these PBS's. We are still
10 working to divert our attention to the fact that we are
11 managing the entire PBS. It is a project.

12 Now, in some worlds, you do a project and you act
13 as your own prime to do a project or with perhaps three or
14 four contractors. Some cities, for example, when they build
15 a building will have the main contractor to build directly
16 contract electrical, mechanical. Just imagine the chaos if
17 you don't manage it integrally as a project. We need to
18 recognize that we are managing projects through contract
19 people and that we have to keep our eye on the ball because
20 one day that contractor will walk out the door, perhaps, and
21 another one will walk in and we have to know where we are as
22 compared to what we want to be, how much have we spent
23 against plan and all of those things. So, we have got to
24 continue on with our focus and really be a high-performing
25 organization in this regard.

1 If we have to focus on both pre-award, get the
2 best performance-based contract with the concepts that we
3 have and get the best competitions and structure all of the
4 procurements the best that we can to optimize competition.

5 We also have to focus on postaward. So, all of
6 that now will be under the purview, all of those pre-imposed
7 work performance issues will be under the purview of a new
8 Deputy Assistant Secretary for Acquisition and Project
9 Management.

10 In the pre-award realm, we want to work hard to
11 insure competitive and open selection of the most qualified
12 contractors through the most appropriate types of vehicles,
13 appropriate contract vehicles.

14 We are committed to open competition and things
15 that we have been doing, both here and at other sites, are
16 intended to attract the types of firms who can bring to the
17 table the skills and expertise we need.

18 For example, here at Savannah River, the idea is
19 to cut the future contractor focus on what we consider the
20 largest risk across the complex, which is our radioactive
21 tank work and let someone else worry about the on-going
22 operation of the site, the laboratory, the NNSA function and
23 the more enduring functions that may not need the same
24 degree of focus that you need to do the radioactive tank
25 work. So, that was the concept.

1 So, then, you might expect that you could attract
2 different types of contractors to team or individually to
3 compete for those types of things.

4 So, I think, since the last time we met, we have
5 announced these acquisition strategies. It might be helpful
6 to us, I think, to know what you all think about the
7 approach that we are taking.

8 It is interesting, once we embarked on this, -. I
9 should mention that I did not walk in the door and dictate
10 this. It is important to recognize that the people who work
11 those acquisition strategies sent them to the headquarters
12 this way. We looked at them and we might have modified them
13 slightly, but there were no major changes to the way that
14 the acquisition strategies were proposed. This was an
15 approach that was recognized by many professionals in the
16 field as being a way to attract a broader range of
17 contractors to the DOE and to our work and better focus.

18 So, again, I think we would be very interested in
19 your feedback on that.

20 We, clearly, are making deliberate decisions with
21 respect to small business. Since we last meet, we have
22 awarded a hundred and ninety million dollars small business
23 contract.

24 All of that is part of the pre-award package that
25 we have to deal with.

1 We have already talked some about the post-award,
2 the management aspects of going the rest of the way to
3 educate our own federal project directories, integrated
4 project teams, on use of project management tools, nail down
5 one life-cycle baseline and then it is consistent with
6 whatever the contract baseline is, presuming the contract is
7 a fully duration and not have all these different numbers
8 floating around so that we know more precisely what we are
9 managing to.

10 To improve our senior management focus on project
11 execution, just for an example, we had a special program
12 that was newly designed for our top-drawer executives. Just
13 about everyone in the room was a site manager or a Deputy
14 Assistant Secretary. It was a case study-oriented approach.
15 We not only had environmental management case studies but we
16 had a case study on the A12, the attack aircraft that was
17 cancelled because of project management problems and cost
18 over run. The idea was that the case studies fit into a
19 matrix that covered every phase of a project site. The idea
20 was that our executives were not, because they weren't
21 getting any preached to, but rather to read for themselves
22 and discuss with themselves what went on in these case
23 studies and what can we do better as executives to avoid
24 those types of problems in the future.

25 There is more to follow. We have made

1 arrangements to enable our top-tier executives to attend the
2 Defense Acquisition University at the next step with about
3 half of our people, our executives, and half of the
4 Department of Defense.

5 You might say, "Well, why would you do that?"

6 I know that the administrator made a comment after
7 doing a case study on the A12 and I think that her comment
8 was and she took out all the specific reference to the A12
9 and this is the way the waste treatment plant would handle
10 it. In other words, the setup and what happened was not
11 really -. The technical issues were different, but the way
12 that you deal with them and the outcome is what would have
13 been predictable for us as well as for that particular DOD
14 program.

15 We are going to give this a try with the Defense
16 Acquisition University and see how that works. I wouldn't
17 want you to think for a minute that we don't have competent
18 people. We really do. I think that you would know and I
19 certainly recognize that we have not done much along the way
20 to recognize our executives and given the opportunities to
21 spend time with each other and their peers throughout the
22 government to see how other people do what has to be done.

23 If you come out of another agency, as I did, this
24 was another brilliant part of my career. I mean, it was a
25 common thing for me to go off for two or three weeks,

1 occasionally, to be with my peers every step of the
2 developmental ladder and learn from your peers and learn
3 about the things in management.

4 I think that we just need to do better. We owe it
5 to our people to do better. So, we are working on that.

6 As you know, we have made headway on getting our
7 federal properties risk de-certified. We still have a ways
8 to go, but I am not discouraged because it was a three-year
9 window for the DOE Federal Project Directories to get
10 certified. There was a beginning date and there was a
11 completion date, which is May of 2006, right around the
12 corner. Well, my predecessor took the move; Jesse Roberson
13 took the move of reorganizing the portfolio into projects
14 and then saying we want project directors and managers of
15 these projects. Our people were only about a year and a
16 half delay by May of 2006. Even though we are the laggards,
17 you might say, we are the laggards because we had a year and
18 a half delay before we started to get our people advanced
19 for consideration to this board and it is not a rubber stamp
20 board. It is a very strenuous process, very stringent, very
21 through with reviews and credentials. Fortunately, all of
22 the course work is available, so it is just a matter of
23 getting the rest of our Federal Project Directors to them.

24 We have to get our baseline validated and you
25 mentioned that there were too many inconsistencies. Well,

1 that is true. But, right now, only fifty-two percent of the
2 EM Portfolio of one hundred and forty five billion or so has
3 been in the pink and validated by outsiders. It is not
4 because we haven't been trying. So, how do you manage to
5 something if you don't really know what the right schedule
6 is, what the cost is? So, fifty-two percent is not a
7 passing grade. I think that we had hoped that by this point
8 to have about seventy percent of our portfolio validated but
9 we didn't get there and we have to bring a new focus and
10 educate people more on what to expect. So, we have got to
11 do better and get to work on our portfolio to get to
12 eventually one hundred percent of all of those baselines
13 independently validated.

14 Once they are validated or even before, we have to
15 manage to those baselines better. We are only managing such
16 that sixty to seventy percent of our portfolio is performing
17 up to expectations.

18 Our authorizers on the hill are the Armed Services
19 Committee. So, they hear not only from us, they hear from
20 DOD. One agency got up and they are one hundred and five
21 percent of schedule. In other words, they are five percent
22 better than the scheduled commitments they made to Congress
23 and they are running under cost. Another program is eighty
24 one percent done with his clean up. That is what these
25 committees are hearing. Then they hear from us that, you

1 know, we have got only this sixty to seventy percent on
2 cost, on schedule. So, obviously, we have to demonstrate
3 that we can do better. Is our challenge more complex?
4 Perhaps it is more complex because of the nuclear issues and
5 all that, but you have to recognize that the people over in
6 DOD, their challenges were complex for them, too, and yet
7 they managed to come up with more attainable schedules and
8 costs and then delivered to those.

9 I think the lesson learned here for me is, what do
10 you commit to as the most likely case to your stakeholders?
11 It does not have to be the same thing to incentivise your
12 contractors go to. Because, if you do that and your
13 contractor cannot obtain those stretch goals, then you look
14 to all of the stakeholders as if you failed. In fact, we
15 are not failing. In many cases, we are very low against
16 those stretch goals. It is just that we committed to the
17 most optimistic rather than the most likely case. So, we
18 have got to recognize that there is a difference between
19 what you commit to, which has to be the most likely case,
20 and what then you incentivise your contractors to do. Then
21 we put ourselves in a position where we can't succeed
22 because if you don't make the most optimistic within
23 everybody's view, you've failed.

24 If you have any thoughts on that, that would be
25 helpful. It kind of ties in with the performance-based

1 contracting and the way that we deal with our stakeholders
2 as well as the issues, the baselines and performance of the
3 baseline.

4 On organizational line including capital
5 management plan, as you will hear from Jim, but I will just
6 cover a couple of highlights. We not only have we taken the
7 step of having this new Deputy Assistant Secretary and his
8 proposed organization, we have aligned it such that all most
9 all of the engineering and technology functions are under
10 one DAS, so that DAS, who happens to be Mark Gilbertson, can
11 not only build a very, very appropriate high-quality
12 organization of engineering and technical and scientific
13 people in headquarters, but basically become the sponsor for
14 that throughout the department, not just at the headquarters
15 but be the advocate for that across the Department of
16 Energy.

17 Frank Marcinowski, who is here, now has the entire
18 disposition function, all of the interaction with the
19 Regulators, not that he would do it all, but understanding
20 all of the issues that the sites face with the regulatory
21 and making sure that we have and what we are dealing with.
22 That is a big challenge. If you are picking up a
23 disposition that we have today and you find out tomorrow
24 that you don't or you don't have one today and then you are
25 hoping to have one tomorrow but maybe you don't. He will be

1 giving a presentation after lunch on the disposition maps
2 that we have and Frank will focus on that area.

3 Some of the functions, of course, can't change,
4 the budget function, for example. The Department is putting
5 a new focus on a five-year planning approach which means
6 that decisions on what fits in a five-year program will be
7 made not by budget experts but by line management experts
8 who know what the priorities are and can say, "Okay, if we
9 have this much here, we can do this and this will not get
10 done. But, if you will give us an extra this much a year
11 then we can get that done as well."

12 I think that is a good thing. I've testified that
13 I think that is a good thing.

14 Again, Jim will brief you on some of these as well
15 today.

16 And, lastly, the feedback in lessons learned. We
17 did use all case studies for the program that we put on last
18 week when all of our top tier executives, but there has to
19 be many other feedback mechanisms and I think, again, this
20 Board is one of them. It is a great way to learn. We
21 obviously need to focus on becoming that high performance
22 organization so that we can do these things in safety and in
23 project management risk. I believe that you all can help us
24 by the feedback, by the independent sanity check to what we
25 are doing and just be frank with us and tell us what you

1 think.

2 When I went back to the notes of what I took from
3 our last contacts, I see that you are right on in many of
4 these areas and I think that we need to find ways to even
5 further enhance the feedback from what you deliberate back
6 to our DAS.

7 So, with that, I really appreciate, again, being
8 here. I am happy to be here. I look forward to
9 participating for most of today's meeting until the early
10 afternoon and then wrapping up with you again to find a
11 better way to convey that back to our people. If you have
12 any discussion, I will be happy to do that.

13 Thank you.

14 JAMES A. AJELLO: Thanks, Jim. Thanks very much
15 for that comprehensive presentation.

16 With that, do the Board Members have any questions
17 for Jim or any comment that they would like to make at this
18 point?

19 Dave Swindle.

20 DAVID SWINDLE: Jim, you have made comments and I
21 know that I have followed closely your testimony before
22 Congress and at various committees and clearly some of the
23 steps from what you had, like this five-year plan, is a very
24 important step forward.

25 I guess, one item, just to -. At the Department

1 of Defense, as we talked last time, that DOD basically when
2 they undertake a project for long-term acquisition, they set
3 an appropriations and an authorization process where some of
4 the liability or that the funds will be there to be next
5 scheduled for performance.

6 In the deliberations and five-year planning, are
7 you looking at repeating some of the models like DOD and
8 some of the other agencies that gives some assurances to the
9 programs and ultimately the contractor the ability to
10 deliver on some of these long-term projects?

11 JAMES A. RISPOLI: That is a very good observation
12 and a very good comment. I have, in fact, testified. There
13 are kind of two facets to that issue. One is, the five-year
14 plan was actually not delivered in time for any of my first
15 three hearings except for the House Appropriations Sub-
16 Committee with Chairman Hobsow.

17 He asked the question kind of like that on the
18 five-year plan.

19 Having come from an agency where the five-year
20 plan was the heart of what we did, I would say that the
21 potential is great because why would you start a new project
22 or a new endeavor if you can't support it within your five-
23 year plan. It would make no sense at all. The only vehicle
24 that you really have, if you look at each year individually
25 without projecting out, you would never know what your

1 funding profiles might look like. You can't even, without a
2 five-year plan; you can't even optimize any individual
3 project.

4 For example, let's say that you have a large
5 project and you want it to start off slow and then increase
6 the curve and then taper it back down. You could plan for
7 that with a five-year plan, but there is no way to prevent
8 context in the absence of a five-year plan.

9 If you had two of those, obviously, you couldn't
10 do them simultaneously unless you staggered them in your
11 five-year plan and then filled in with other on-going
12 operations.

13 Of course, we have a very large embedded base of
14 operations that we have to do every year just to keep things
15 safe and then you do other capital projects and issues on
16 top of that.

17 So, I personally think that five-year planning is
18 the way to go. I am absolutely convinced that it cannot be
19 done by a budget. I know that when I did five-year plans, I
20 had one woman, who did our budget, one, because everything
21 that she did came out of the five-year plan. There was no
22 major gnashing of teeth with your budget because it all
23 flowed out of the five-year plan but we spent an enormous
24 amount of time looking at where would the money go and which
25 of the Navy Bases would the money go to and for what years.

1 To get the reliable funding, you have to be able
2 to articulate why your five-year plan needed it. You can't
3 forgive these three things and then in one year learn that
4 you are going to take a huge drop, if you were to take a
5 huge drop, because all of these things that you started
6 would basically have to stop. Well, how do you articulate
7 that in the absence of a five-year plan?

8 So, I think that the two go together. The
9 predicable funding, of course, is supported at the project
10 level as is the overall program.

11 DAVID SWINDLE: Thank you.

12 JAMES A. AJELLO: Dennis Ferrigno.

13 DENNIS FERRIGNO: Jim, thank you very much for a
14 great presentation and the candor of where we are and what
15 we are improving on.

16 You had asked a question concerning, maybe, I'm
17 not sure I'd just like to address just Savannah River, but
18 just a general discussion on when you have a project like
19 the high-level waste at Savannah River and it has a very
20 definitive mission that is critical to the operation and has
21 a definitive starting and completion where you have a
22 tradition of a management and operations as opposed to a
23 specific target of completion like the high-level waste and
24 the processing of waste.

25 I think, first of all, the Department should be

1 commended in breaking that out to try to seek, maybe, people
2 who are more apt to have core technology in that one
3 specific project. What you have done in listening to the
4 contractors over this past summer and having one on ones and
5 coming up with that acquisition strategy the Department
6 should be commended and I think it is really going to
7 provide a lot of value to the operation.

8 The question that I have, and maybe it is not
9 appropriate here but maybe in other sessions, is when
10 something is mission critical, should the Department be
11 staging that procurement mission critical, should the first
12 versus the support or should they be together? I'm not
13 really too versed on what your acquisition strategy is,
14 either at Savannah River or for that matter Hanford. I know
15 that there are some similarities. So, the question is not
16 Savannah River, it is more of a policy generic question that
17 when you have something that is mission critical, should you
18 be focusing specifically on the mission critical first and
19 then the mission support portion would be the same? Really,
20 that is an open question and I'm not sure it is an answer
21 that is being asked right now, but in the course of the
22 discussion, if we could discuss that.

23 JAMES A. RISPOLI: Actually, you have hit on a
24 very good point.

25 The one over-riding thing that we have to

1 understand, of course, is that in some cases we're are
2 replacing these one contracts with two and it adds even
3 another dimension to the problem of, you know, how do you
4 time-phase these issues?

5 When I have heard industry talk about this, I can
6 understand why. They don't want to see these two big humps
7 coming down the road in lockstep because how do they best
8 perform two. They would probably prefer to have one
9 connected to the next.

10 The question that I am getting is, why are we
11 doing the states, you know, first?

12 Well, in fact, you will find that the initiation
13 of both is simultaneous. The reality is that selection of
14 high-level waste in a performance-based setting where you
15 have to do certain cost analysis and things like that, it
16 just takes longer.

17 So, even though the timing of selecting the
18 source selection officials and appoint SCV's and all that is
19 beginning on a collateral, timely, you know, they are
20 together. They won't stay together because the process of
21 doing the evaluation will take longer for this high-level
22 waste. So, I think, ideally, you would probably wouldn't
23 want both of them to hit the street at the same time. It
24 might be that, ideally, you would want to do one before the
25 other.

1 Your point is, why not do this one before that
2 one, but that is being driven more by the reality of the
3 time it would take to do the evaluation.

4 So, maybe, as we get our own process in place and
5 better organized so that we have a schedule with all the
6 procurements coming up where we can pick which ones go first
7 and next and next. We can do just exactly what you are
8 suggesting.

9 In this case, these are still being done under the
10 existing model and not under a new model of having a
11 procurement office within that DAS that has a schedule and
12 says, "We want to do this one first and here is the schedule
13 that has just been made."

14 We are not there yet. It would be wonderful to be
15 able to convert to that, but the problem is that the
16 contracts are expiring. They are very big. We don't really
17 want to be pushing ahead without having the competition on
18 the projects in contrast to this. So, we have got to get
19 through this period and then as we do so transition to the
20 new method.

21 Thank you.

22 JAMES A. AJELLO: We will take two more questions,
23 first from Lorraine and then Steve and then we will go to
24 our next agenda.

25 Lorraine, first.

1 LORRAINE ANDERSON: Just a comment about your
2 commitment to your stakeholders. I think that you are right
3 on target and not over-promising things to them. I think
4 that when you can't perform what you have promised then it
5 destroys your credibility. So, I think that you are right
6 on target and need to work with them however when you are
7 changing those expectations in partnership with them to
8 really come to a conclusion that everyone can accept.

9 JAMES A. RISPOLI: That is a good point. We took
10 the same overly optimistic assumptions and stretch goals in
11 many cases which our contractors have.

12 If you back up a bit and look at the accelerated
13 program and its history, we are still delivering much faster
14 than we thought we would deliver five-years ago, but when
15 you look at the specific goals at this particular place and
16 your contractor was being incentivised to LOV's and didn't
17 make those. We looked like we had failed when, in fact, if
18 you will go back a few years and look, it may not be a
19 failure at all.

20 Another example is that at one of my hearings I
21 actually did like a side by side for the committee on the
22 Hanford Waste Treatment Plant. The original plant was only
23 to process forty percent of the waste by, I think, volume of
24 sixty percent on radioactivity and the life-cycle of those
25 plants. It was to be in the second plant. Everybody seems

1 to have forgotten about the second plant. The second plant
2 was, at that time, six point six billion. So, we set up
3 totally capable plant for all the high-level waste. We set
4 these targets and then we don't make them and then we have
5 failed when, in fact, the story may not be as big a failure
6 as we perceive it to be because this plant can be brought to
7 completion, we don't have to built a second plant but that
8 gets lost because you lose the history.

9 There are many successes, but our people are
10 dealing with, as you know, tremendous technical challenges
11 and it is very, very complex. We don't need to have our
12 good people being beat up all the time. We need to find a
13 way to convey more realistic baseline and then be able to
14 live with those so that our people won't have to bear the
15 burden of being regarded as not being able to deliver.

16 JAMES A. AJELLO: Steve.

17 C. STEPHEN ALLRED: Jim, it is a pleasure to have
18 the opportunity to visit with you.

19 I have just a couple of observations.

20 It seems to me that there is a tendency by DOE to
21 dilute the incentive contracts and make them look more and
22 more like standard contracts and I think that is a real
23 problem. It really depreciates the opportunity to get the
24 kind of innovation that we really need in these programs.

25 Two things have caused that.

1 One is headquarters over-reaction issues. What
2 that is causing is the inability of the local people to make
3 decisions because more and more of them are going to
4 headquarters. When you do that, you move responsibility
5 from the contractor and your line organization. That also
6 causes a real problem with timeliness issues.

7 JAMES A. RISPOLI: I appreciate that comment. I
8 think that is something that you might want to develop but
9 it is not my own personal attention to call any decision
10 making authority back from the field. If you are seeing
11 something to the contrary, I would appreciate your specific
12 feedback as to where you see that happening.

13 JAMES A. AJELLO: Okay. Thanks, Jim, and thanks
14 to the Members of the Board.

15 We are going to turn to the next item on the
16 agenda.

17 Just a preview for those attending, after this
18 particular session coming up, we will take a brief break and
19 then we will go on to the rest of the agenda.

20 Next up is Charlie Anderson, who is the principal
21 DAS for Environmental Management.

22 Charlie, welcome this morning, thanks for coming,
23 appreciate your attendance.

24 Charlie has a presentation for us this morning and
25 that is contained at Tab 2 of your books.

1 CHARLES E. ANDERSON: I am going to stand up so my
2 back is not to everybody that is here.

3 Just to give you an overview of where we are at
4 and how to set the stage, building on some of the things
5 that Jim had said there.

6 EM is the world's largest cleanup program.
7 Sometimes we forget that and if we are doing our hearings
8 and testimonies sometimes we end up trying to remind people
9 we have 114 sites, 31 states, 2 million acres, 6.5 billion
10 dollars this year and a 34 thousand person workforce. It is
11 a large program by any standards, particular in cleanup
12 spread across the United States as you can see here.

13 I am not going to go into a lot of details here
14 because Jim has already done that, but, again, the
15 leadership focus here is safety across that program, risk
16 reduction and product execution. Some of the comments that
17 we are hearing here and some of the things that we are
18 developing about our acquisition strategies, the
19 identification and management of risks have been an issue
20 across the various projects of EM. Some places they
21 identify them very well and that is the end of it. Some
22 times we can look later and the risk is realized and we
23 could have done some things actually mitigated and didn't
24 take those steps.

25 Then cost and schedule baselines, again, as Jim

1 mentioned yesterday, we had an in depth discussion about the
2 different, you know, cost and schedule baselines that we
3 find and then try to explain those.

4 Organizational alignment, you are going to hear a
5 lot more about that after the break.

6 Feedback and lessons learned. I always say that
7 if you didn't change something, you didn't learn a lesson.
8 You only identified a problem. If you have a problem, what
9 did we learn from it and what can we do different. If we
10 don't do anything different, all we have done is identified
11 the problem.

12 Money is always the key to most everything in
13 either personal or business ventures. You can see the
14 profiles that we are looking at here. We were six billion
15 in '01 and we have increased that to deal with and close out
16 some of the legacies that we have and as a consequence the
17 budget and the budget requests have come down somewhat with
18 '05 being the peak year.

19 We are continuing to evaluate our regulatory or
20 legal requirements, our performance and part of that
21 evaluation is looking to boards like this to get some
22 feedback about the changes that we have there.

23 We don't show on this chart and we really need to
24 put more emphasis on this, the five-year outlooks. What is
25 going to be valuable with a chart like this is not just

1 looking back but also looking forward for another five-years
2 and saying there is more of a trend over a ten-year time
3 period than on just looking back and looking forward into
4 the next request.

5 This gives an idea of budget by state. The
6 largest being in Washington and South Carolina, which is
7 also our largest risk management.

8 We are at a point when I talk about a few
9 accomplishments here, when you go back and look at the
10 history and you think about ten or fifteen years ago and the
11 largest risk with a lot of our nuclear materials that
12 weren't stabilized. With all except one amount of one
13 population material, all of that material has been
14 stabilized, all of that has been accomplished. What we are
15 left with is our highest risk which is the tank waste. Tank
16 waste in Washington state and South Carolina are our highest
17 risks. You see that in our discussions. So, you can see
18 that we have put most of our money in those particular
19 areas.

20 There are a number of other risks that we also
21 have to deal with and this just gives it a spread.

22 As we look at the money here, I found it
23 interesting that we had a site in Mississippi and so I went
24 to headquarters and said, "What did we do with Mississippi?"

25 In your package, you can see the containers for

1 plutonium metal and oxides, enriched uranium, the residues
2 are measured in containers and kilograms and put in other
3 uranium packages for disposition, not a final disposition,
4 but it is now in a more stable, less risk environment. The
5 tank waste, we haven't removed a lot of it, but we have
6 reduced the risk in a lot of ways. In Hanford, they are
7 removing the pumpable liquids. We have been packaging for
8 final disposition the canisters in New York and also here at
9 Savannah River.

10 Spent nuclear fuel packaged for final disposition.

11 The basins have been removed or suspended with fuel. You
12 look out in Washington and you look here at Savannah River
13 Site and consolidating them into one basin.

14 Transuranic material. You will hear me refer to
15 this disposition machine a lot. This is a key cog in our
16 disposition machine. We've got that momentum going. You
17 look at the first three and you get this started. You are
18 trying to get a shipment a month and everything is a
19 struggle and now our standards are raised as we build on
20 that experience and we applied those lessons learned.

21 Low-level and mixed low-level waste disposed. A
22 lot of waste and material has been disposed of.

23 Other things that also deal with cost, to man the
24 material access areas. It is probably no secret that I am
25 chairman of a complex wide nuclear materials disposition and

1 consolidated and coordinating committee. Try to say that
2 fast. I remind folks that there have been a lot of
3 consolidation, mostly within a site. By the end of this
4 fiscal year, we at Savannah River will be down to one
5 material access area for this special nuclear material.
6 Hanford, we have made some progress in consolidating but we
7 have a little across the complex and it also has to be
8 integrated with the weapons program as far as their weapons
9 program consolidation for their operations.

10 Nuclear facility completions, radioactive facility
11 completions. There will be a few pictures here, but you
12 actually went out on the site yesterday and saw where there
13 is depletions. Work is not in progress and yes you can see
14 the progress, but it is finished.

15 We are scheduled to complete as many as nine sites
16 in 2006. They are listed here. I won't go through all of
17 them. They are spread across the country here. These are
18 significant issues. This is a follow up as you look at, you
19 know, Rocky Flats where physical completions there, bringing
20 these to completion.

21 How do we bring those to completion? There are
22 some of the smaller sites that we have looked at here where
23 there has been very little physical work but there has been
24 a matter of focus. What is the paperwork? What is the
25 documentation? It closes that out where we go into a long-

1 term surveillance and monitoring mode and get out of
2 spending money on active open projects that is really not
3 reducing any risks so we can get that money diverted over to
4 where we want to reduce risk.

5 Rocky Flats, you see it in 1995, and that is what
6 it looks like today. It was interesting that - oh, I can't
7 remember, sometime back out in the fall and I went out with
8 Frazier Lockhart and people asked what we did for an hour
9 and a half driving around. I really wanted to see a lot of
10 this. Part of it is, he would be going down the road and
11 say, "Oh, man, they eliminated that road today." So, we had
12 to back up and go back around. Things were changing, you
13 know, that fast, literally, pulling the roads up and
14 returning this site so that it can be a wild life refuge.
15 Actually, it would be a pretty place to live.

16 The Fernald site in '87. Well, it is not yet
17 there, very soon we will see this as closed. These are key
18 large things that have been troublesome for year and we look
19 at the money that was being pumped into them every year and
20 now we have reduced that significantly.

21 Then there are eight additional ones between 2007
22 and 2009, going back to our talk about lessons learned. We
23 weren't building with lessons learned at Rocky Flats, the
24 things we did good and the things that we did bad and at any
25 other sites and apply those. We need to really know that,

1 but we have got to take them all the way to closure.

2 Going back to our highest risk, tank waste.

3 Four sites have 90 million gallons and 700 million
4 curies of tank wastes; Hanford, Savannah River, Idaho and
5 West Valley.

6 The Idaho material is in a more stable form, for
7 the most part. It was acid based and it didn't have a lot
8 of the tank issues that we would have that would cause some
9 of the risk.

10 The West Valley has been rectified and there are
11 some 300 canisters at West Valley.

12 So, a lot of focus then is on Hanford and Savannah
13 River Site and a large amount of money. We have somewhere
14 around thirty percent of our total budget, 6.5 billion
15 dollars, is devoted to tank waste.

16 Our strategy, obviously, safety first. We got to
17 make sure that our storage form like removing pumpable
18 liquids, retrieve waste for purposes of pre-treatment,
19 treatment and disposal.

20 Pre-treat the alkaline waste, to separate. You
21 really have to get into a separation process as much as
22 possible and then get it into a vitrification form.

23 Idaho still has, while it is a much more stable
24 form, we still have an open risk about whether we would be
25 able to dispose of that calcine directly or what additional

1 steps or what additional treatment form that we have to deal
2 with in order to dispose in a depository.

3 And then the residues as far as stabilization of
4 tank waste residue for in-place closure.

5 Waste treatment plant. There have been some
6 lessons learned and a lot of that is putting all of the
7 pieces into one plant, one area, 65 consistency acres made
8 up of 24 facilities. Pre-treatment facility being the
9 largest and low activity waste facility, the high-level
10 waste facility, analytical lab are your four major
11 facilities and then 21 other support facilities in the same
12 area.

13 That's where we were in 2002 and that is where we
14 are today or a few months ago as far as what our current
15 status is. There has been a lot of progress made as far as
16 the construction here. We have had to take a pause because
17 we got ahead of ourselves in some of the design and in some
18 of the engineering and safety issues. We have taken that
19 pause and are trying to apply that as lessons learned and go
20 back and do a very credible estimate both schedule-and cost-
21 wise to complete this job. We will have a lot of review
22 teams looking at this. It is a very complex project. This
23 is standing up and using our capabilities in this country
24 again for the first time in a couple of decades. We really
25 have not been a nuclear capability at large-scale nuclear

1 sites. When you look at the amount of materials and the
2 scale of this project here, it would be like building two,
3 two unit nuclear power plants simultaneously.

4 Overall lessons learned. This is always the most
5 difficult part as far as establishing baselines. Baselines
6 ought to be established when you have something more along
7 the sixty percent design.

8 There are still too many open questions early on
9 in the design.

10 Now, you go to Congress, they like to remember the
11 first time that you ever tell them. If it ends up being a
12 de facto baseline until you get something out, but we have
13 got to learn not to underestimate even that first number.
14 That is an issue that the Department has had a lot of
15 difficulty with. We need to complete our R and D, technical
16 risk low. You can see that in the salt waste processing
17 facility where there is a tremendous amount of work to get
18 the technology. It took four years to go through all of the
19 suite of technology and quite a bit of testing before we
20 said, "Okay, we really have a technology decision here.
21 Now, we can move to the next stage."

22 Reliable quantity, unit rate information.

23 Sufficient time between engineering and
24 construction. That is, you know, making sure that in a
25 plant like this where you do finish the engineering before

1 you start construction of a piece that you put a little bit
2 of soak time, a little bit of delay time, so you are not
3 rushing people to maybe claiming complete on an engineering
4 when they really haven't finished their engineering, making
5 sure that their reviews are complete there.

6 Cost and schedule contingency based on project
7 maturity and technical risk. We spent a lot of time on
8 assumptions. Assumptions that are buried there really hurt
9 you in the long run. Those are the risk. You really don't
10 tie risk with an assumption.

11 Project management strategy should be in place
12 prior to establishing commitments.

13 Establish strong, competent DOE organization early
14 in the project design phase. I am going to have to spend a
15 little bit of time with this because we get a lot of input
16 and continue to look for more. What should the DOE
17 organization look like? When I describe a DOE organization,
18 it really means the support contractors, the review boards
19 to review aspects, all the things that are made up to broad
20 oversight of the contractors doing a large-scale project
21 like this.

22 Certified earned value management system should be
23 included in project management/control strategy. One of the
24 biggest problems with the Waste Treatment Plant is not that
25 the cost is higher. If we have gone back and looked at it,

1 the cost probably always was higher. We were very over
2 optimistic in the earlier estimates, but we also didn't
3 realize this early on. We didn't have the management
4 systems or the data to tell us that, "Hey, you have got a
5 real problem much earlier than when we saw it and how it
6 escalated." That is a problem that we are working very hard
7 to make sure that we fix. You can't take actions if you
8 don't see the problems early.

9 Contracts should require DOE Order 413.3 from the
10 outset, which is the project manager ordering the training
11 agenda. That is one person who gave some feedback from that
12 thought. This is good. They came out of there, "You know,
13 project management is not just about project management, how
14 not to only run our business but how you are going to raise
15 your children." You have got to lay out that plan. I
16 thought that was pretty interesting insight. I felt like we
17 made some progress in that meeting.

18 We can spend hours going into details with some of
19 the other items but I did want to put the tank waste up
20 there as far as giving a quick perspective there and show,
21 you know, as we are closing sites, those pictures were worth
22 a thousand words there.

23 JAMES A. AJELLO: Thanks, Charlie. I have a
24 comment and a question.

25 The comment is, I hope that the group has taken

1 time during the training, which is always an appropriate
2 place to celebrate these success and I hope that the group
3 is sharing amongst each other because it is a very large
4 complex across the country and when you do get together you
5 talk about the some of the progress made because it is a
6 tough business unless you can share that with one another in
7 a positive way. There has been a lot done in the past five
8 and ten years. So, that would be the comment.

9 The question has to do with one of your focus
10 areas. Both Jim and yourself were focusing in this
11 presentation on project execution and specifically cost of
12 the scheduled baselines. I think that we all noted in the
13 five-year plan that was just mentioned. It was just
14 published in this month, in March. We talked about it here,
15 the possibility that the life-cycle cost of the program
16 would be at least 25 billion dollars higher. I am trying to
17 connect some dots between what Jim said earlier and what you
18 said about engineering being ready to set cost estimates and
19 having those mature a little bit.

20 I think, Jim, you said a little earlier that we
21 were about fifty-two percent or so in terms of our costs
22 being validated by outside parties.

23 So, here is the question. Do you expect that that
24 life-cycle cost definition will be improved as you further
25 define this? In the life of this program, 25 billion is a

1 lot more money, but also an amount that we have all come to
2 understand is part of this business in terms of the way
3 things move around. So, how do you feel about that issue
4 right now?

5 CHARLES E. ANDERSON: I'll speak a little bit and
6 Jim may want to add in.

7 There is a couple of functions. One of those is
8 realizing for our self the real cost of doing business here.
9 The other is, if you add too much fat to something you will
10 spend that money whether it is needed or not. Part of
11 management is, is getting in and getting more accurate
12 numbers, not just larger numbers.

13 We are breaking down that growth down into two or
14 three causes and trying to understand those. Some of them
15 are truly new scope. It wasn't in the baseline. When I say
16 new scope, I'm not talking about where we had scope and we
17 didn't understand the full scope of that project. It is a
18 new challenge. It is adding a large number of buildings in
19 an area that we never had any plans previously to actually
20 do, new scope.

21 I think a lot of people can understand, "Okay, we
22 are going to do a new area. This is going to be added. We
23 need to cost it out. It is a new project."

24 There is others where it has been performance
25 issues. When I talked about the assumptions and the risks,

1 we had an assumption that wasn't realized. I'll be a little
2 dramatic here, you know, the state would just agree with
3 whatever we wanted to do, you know, any state. Obviously,
4 that is not going to be true, but we made some of our plans
5 based on thinking that those were always going to come
6 butter side up and that hasn't occurred.

7 So, going back and saying, "Okay, what is
8 realistic? What do we know now from a lot of our
9 interactions to the space that we can now put some
10 intelligence back into this?"

11 There is where there is some contingency. We
12 still don't know yet, but, you know, we realize, here is a
13 risk and how do we apply that contingency. In the past, a
14 lot of that was put out in the environmental liabilities
15 audit.

16 So, people said, "Okay, you have identified it as
17 a liability. You are okay."

18 When you have an eighty percent probability that
19 that risk is not going to go your way and you are going to
20 realize that risk and it probably shouldn't be in the
21 liability audit. It probably ought to be in your baseline
22 project. So, we are trying to go through, you know -. I
23 wish it was simple where you can say we will just factor all
24 of that risk in here.

25 Some of it is pure performance. We counted on a

1 certain level of performance. We are not realizing it. We
2 see that as we scrub that. It doesn't seem to be getting
3 any better and so we have to adjust our standards.

4 That goes both ways. There are places where we
5 went faster than what we would be able to do. You want to
6 factor that in, but there are others where it is a slow and
7 tedious process.

8 That is where we are spending a lot of time. It
9 is hard to keep a scorecard on a grease board and catching
10 that more on a chart and working from there as we do these
11 quarterly project reviews. We are going to coordinate
12 quarterly project reviews with all of the projects. All of
13 the site managers come in, the federal project directors,
14 typically a site manager may want your key people and have
15 the rest deciding on a large site, you know. We walk down
16 through every project. Each time we address where are we on
17 the AC on this? Have we underestimated? What is the curve?
18 We have got to factor that into our five-year plan and our
19 life-cycle plan and then that is where the numbers that you
20 are seeing are coming from.

21 JAMES A. AJELLO: I think it is a healthy cost, a
22 healthy process which is generating a lot more candor from
23 my experience with the program.

24 We had three questions. I think Steve was first
25 and then Dave and then Dennis.

1 C. STEPHEN ALLRED: Charlie, the last time we
2 talked a little bit about driving the team that is in your
3 baseline and it is my understanding is that you don't do
4 that. I think one of the problems in perception with
5 Congress and other people is that contingency or that
6 estimate was without contingencies. I don't care how good
7 the estimate is. It has never been perfect. Failure to
8 carry that contingency or at least in my opinion really is,
9 is a risk. If you don't have that major risk and don't
10 carry it in the baseline cost, I would suspect that you will
11 never be. So, I think, I guess I don't know if that has
12 changed or not within the Department of Energy, but I think
13 that carrying with contingency as an expression of risk is
14 really a burden as you expressed them and set those
15 expectations with Congress or any body else.

16 JAMES A. RISPOLI: One of the reasons why we have
17 not been as successful as we would like toward getting our
18 baselines validated is because we have not done too good a
19 job in defining how we want contingency. It is one thing to
20 say that you are not going to budget, but it is another
21 thing to have a consistent method to identify how much there
22 should be. So, it is presented to Congress and they know
23 that because of the risk, that this is the amount of risk
24 that has been taken undivided. You can't just blame the
25 site people and the contractors because what we have learned

1 is, that we haven't put out a standard that says this is the
2 way to do it. So, when I was reading these external
3 reviews, what I was finding even on the same site, one PBS
4 would have a very good approach to contingency and another
5 would have contingency there with no backup whatsoever.
6 Another one would have risk identified with no contingency.

7 So, obviously, headquarters hadn't done too good a
8 job in saying that this is the way that we do this. That
9 doesn't mean that you have to budget for it. When I was
10 managing the Navy's program back in the early nineties, we
11 didn't have a separate pot of money for contingency. Much
12 of our money was expiring, every year it would expire. So,
13 you did no good to have it.

14 What you could do is, you could identify it and
15 then as you are doing your quarterly reviews, you could move
16 money from one project that was not on scheduled track and
17 therefore not using the money, to the other. I think,
18 generally, that would be the approach.

19 We at headquarters have not defined that as well
20 as it should be defined and therefore the sites don't have a
21 specific approach. That is one of the reasons why we
22 haven't been able to get enough of our PBS baseline managers
23 to validate it. They are not validating it so they are just
24 being reasonable in this long-term life-cycle.

25 You are right. It is a very important issue and

1 we need to improve the way that we address it.

2 CHARLES E. ANDERSON: One of the things that has
3 come out of that is -. We focused a lot on the contract
4 instead of necessarily the project.

5 I'll give you an example of where we shot a lot of
6 our credibility. We may have had a previous estimate,
7 project estimate of a billion dollars. We go out with a
8 contract for 500 million. Well, that changed our baseline
9 to five hundred million. Then when it comes in at six
10 hundred million we failed instead of, you know, being
11 successful in cutting it back. We really have to be more
12 consistent about how we approach this. This is a case over
13 and over and over again where it shouldn't have happened.
14 Then you look back and say, "Why isn't everybody happy? We
15 did it for half of what we were going to do it." Over
16 promising.

17 We have got to focus on what the project level is,
18 how we see that and then if we work our contracts as we
19 improve on that, we won't have to change that baseline at
20 that point and still leave that contingency but monitored.
21 We set new standards. Clearly, as we start to accomplish
22 work in particular areas, we do set new standards and we do
23 get better in whatever our performance is.

24 DAVID SWINDLE: Just a couple of observations.

25 First, the point of contingency that has been

1 spoken here a moment ago. It is interesting that the
2 capital equities market has a pretty standard approach of
3 how contingency should be looked at. If you are going out
4 and finance something on a private equity type basis or a
5 commercialized basis, that is very little latitude with the
6 capitol market on how you planned to develop your tornado
7 chart through all the requirements of how you define risk.

8 How you budget for it is different, but I would
9 suggest, perhaps, off line that we undertake in taking a
10 look at how the capitol equity markets because if the best
11 practice is to be adopted there certainly is enough
12 standards out there that private equity market that can be
13 looked at.

14 First of all, I want to compliment that the
15 summary that you gave was really excellent. For the first
16 time, we have got to see a contrast of showing where the
17 real changes occurred as a result of the effort of EM.

18 While we have all been listening and gathering
19 knowledge, you know, the importance of focusing here on the
20 baseline. I have been associated with the program here on
21 the contractor's side for the Board since the inception of
22 the program before it was even EM. It is interesting that
23 you can go back and almost year to year to year there are
24 some of the same slides of the waste tanks and they haven't
25 changed.

1 One of the things here, and part of it may be, I
2 do remain worried for the success of the EM program that
3 continue to have the support from the public and the
4 political side. That is important to always measure that
5 progress against the baseline. Of course, when you have got
6 contingency and so forth that is challenging, I'm not saying
7 that there is a uniform answer. When I work other issues on
8 the hill, just hearing DOE in general and not just EM, is
9 they never get a consistent story of the changes and there
10 are changes where there is risk. It is just how it is
11 packaged and presented in an on-going basis is crucial for
12 that continued support.

13 I think that when it gets to the real tougher
14 problems like the tanks, if it is a thousand tanks and now
15 next year it is 900 tanks and then next year it is 800
16 tanks. Always against that measure, if you can show
17 progress is a good way of effectively delivering that
18 message.

19 JAMES A. RISPOLI: You are exactly right. If you
20 were to take out all of the waste treatment plants, which
21 are the largest capitol projects in the Department and some
22 say the largest public project in the nation. If you take
23 that out, then the Department's capitol projects portfolio
24 would be construction, basically. Over ninety percent is
25 performing our cost on schedule.

1 I don't allege to have a big personal portfolio,
2 but I think that anybody who had a portfolio where over
3 ninety percent was performance would be happy with that
4 performance. In fact, if you were to go benchmark and look
5 wherever you can find indicators, anybody would be happy
6 with the portfolio that is performing at better than ninety
7 percent on cost, on schedule.

8 The same principles that got us from a low of
9 fifty, four or five-years ago, got us to the ninety percent
10 and that is consistent management based on what you are
11 doing. That is what we have to complete the transition to.
12 Jessie Roberson started. She is the one who re-organized
13 the whole portfolio during PBSs that had specific response
14 to open duration.

15 Now, we have got to complete that transition
16 process that get all of our people focused on managing the
17 baseline because we have to do better than sixty percent. I
18 think it can be done. It is just that we have to get the
19 people at the management level, not the site managers, to
20 focus on that style of management.

21 Boy, if we could go to the hill and say, "You
22 know, ninety percent of this portfolio is on cost, on
23 schedule." Wouldn't that be the day? Wouldn't that be a
24 great day if we could get past that?

25 This gentleman and I have that as our own

1 objective. We want to get there within three or four years.
2 We can't do it all at once, but we have to show steady
3 improvement over the next few years to get there.

4 DENNIS FERRIGNO: Actually, this leads to a segue
5 to my question. It used to be when it would rain,
6 engineering and construction organizations would -. I used
7 to say that when a project sneezed the rest of the division
8 got the cold. I think we have a little of that going on.

9 A sobering question. You put up for 2007 some of
10 the outcomes and some of the projects that are being
11 initiated based on the five-year plan. We have a project
12 that is in Hanford, I'm sure you know where I am going with
13 this, that has some additional cost that could be incurred
14 to rightfully produce a treatment capacity to do risk
15 reduction, one of the areas of risk, that we want to reduce.
16 We have limited budgets and I don't know what your strategy
17 is, but in 2007, 2008, 2009, based on that additional burden
18 to the Department's budget for WTP, have you started a look
19 see on is there going to be an impact on the other programs
20 and maybe raise or cutbacks because of paying for one, the
21 others may have to cut back a little bit. Is there any
22 insight that you can give us or is this too early to tell?

23 CHARLES E. ANDERSON: It is fairly early to tell.
24 We are factoring that in. I can give you an example off of
25 WTP for a second that is a performance issue in another

1 project and also due to another issue. We made a conscious
2 decision that we had to put more money on K-Basin. We are
3 working that and it is going to have an impact to TFP. We
4 have had to look at hard decisions where we have had to say,
5 "Look, we are going to have to move a project out." We are
6 trying to do it in a five-year planning window. In the
7 past, what has always happened is, we just move everything
8 out of gear and there is some of that this year, but we have
9 gone through a few things where we said, "Look, it doesn't
10 make sense to move this out of here. Our planning window is
11 within that five-years. So, we resort everything because we
12 are going to move this one out five years in order to
13 complete the K-Basin cleanup."

14 So, we are into that thinking. We are looking
15 hard at what we really ought to be accomplishing on the tank
16 plants budget at Hanford and we didn't want people to spend
17 money when the strategy earlier was planned on. How best
18 then do we approach what we are actually doing in the tank
19 plants?

20 We are not there with the answers yet, but one of
21 the things that I say is different over the past year is, we
22 are really trying to face this hard decision, and they are
23 hard decisions. People don't always like it; they would
24 like to do everything. There is a limit, and instead of
25 taking some of the cuts that you have seen in the past where

1 everybody gets a five or ten percent reduction, we are
2 actually taking some of those issues in and saying let's go
3 back to our priorities and it impacts the things that we are
4 not going to do for now.

5 We have got to get a better model that we can use
6 so we can determine what the real impacts are. We are not
7 including baseline changes now with that understanding of
8 what the life-cycle impacts were. That was a practice that
9 we weren't doing before. We were making baseline changes on
10 near term decisions and we weren't identifying what those
11 were.

12 One of the things that we found is that we were
13 making budget decisions as the budget came out. We weren't
14 going back and looking. People just went ahead and
15 executed. We weren't going back and saying we will process
16 those as a DCP. What are the life-cycle impacts to the
17 actual budget that gets reduced? We are spending time to do
18 that. Sometimes it is not as easy as it looks like right at
19 first either, but we are doing that.

20 We are very receptive right now to the kinds of
21 tools that would help us do that better.

22 JAMES A. AJELLO: That is a good point, Charlie,
23 thank you.

24 Jennifer, last question in this session.

25 JENNIFER A. SALISBURY: Just a couple of comments.

1 Charlie, I also wanted to congratulate you on your
2 presentation and the way that you presented it.

3 I am most familiar with the disposition side of EM
4 and particularly the disposition of transuranic waste, but I
5 think that is an area where you can really tout your
6 successes. It has been a tremendous program in getting
7 transuranic waste back.

8 I do hope however that you'll do a lessons learned
9 in a case study on the contract that was at Imel and
10 disposing it, getting the transuranic waste packaged and
11 sent down but you could not meet your deadlines and the
12 ripple effect that caused throughout your program may well
13 be worth studying further and how you can avoid that in the
14 future. In getting rid of that contract, I think, hopefully
15 has turned that around.

16 I did want to make one point -.

17 JAMES A. RISPOLI: By the way, that was a case
18 study that we had last week.

19 JENNIFER A. SALISBURY: I want to congratulate you
20 on really tackling the whole issue of improving and training
21 your work force and the work force development issue.

22 I am looking forward to Jim bring young people on
23 board. I'm sure you can walk around the complex -. I know
24 that I walked around your complex and I look kind of young
25 and I know that I'm not young anymore, but bringing young

1 people on board in internships and all of those are really
2 important. Even if you keep them only for five-years or so,
3 that energy and new ideas can only enhance.

4 JAMES A. AJELLO: We are running a little bit
5 behind schedule. We will take a ten minute break now and
6 Jim Fiore will be next. Jim has to leave promptly at 11:35,
7 so therefore we have incentive to come back promptly at
8 11:00 and hear from Jim. So, please return at 11:00.

9 (OFF THE RECORD)

10 JAMES A. AJELLO: Welcome back.

11 Let's recommence the meeting. Next up is Jim
12 Fiore, who is the Acting DAS for Performance Intelligence
13 and Improvement.

14 In both presentations earlier this morning, we
15 heard about management's focus on organizational alignment
16 and Jim Fiore I this morning is going to talk to us about
17 that including human capital initiatives and the
18 reorganization of the program.

19 Jim, welcome. Thanks very much for attending, and
20 we look forward to you comments.

21 JIM BARNES: Thank you very much.

22 Before I get started, let me say we started to
23 talk about the age of the work force and I'm one of those
24 old workers that looks like an old person that we've got to
25 get out of here and get some young blood in. So we're going

1 to be talking about that and, but it is on an serious note,
2 an important thing that we're looking at.

3 One of the keys for us is we're moving forward to
4 do the things that Jim and Charlie talked about. We have to
5 change the talent mix and the age mix of the people we have
6 and we can only be a high performing organization if we
7 really develop a well-trained, diverse work force.

8 And one of the key things is to be as technically
9 competent as our contractors. They may have more experts in
10 a certain than we have, but DOE combined both headquarters
11 in the field need to be able to talk on an even level in
12 terms of technical knowledge and technical competence with
13 our contractors in order to do effective oversight of them.

14 We do have a long-term mission and we are here to
15 stay. We are still closing up sites but we're going to be
16 around for a long time and as Jim has mentioned in a number
17 of presentations, we need to have a career-oriented
18 workforce. Folks need to look at EM as a place where they
19 want to work and where they can work for a number of years.

20 And we are going to move out vigorously with
21 respect to recruiting interns for the program. And I'll
22 talk more about that later.

23 As was mentioned, the average age of the workforce
24 is over 50 and if you look at the projections, within the
25 next five-years over 50 percent of the EM Federal workforce

1 is eligible to retire. And that's a daunting statistic that
2 we have to keep in mind.

3 One of my goals is to make EM the employer of
4 choice within the Department and within the Federal
5 government. We have a long way to go to achieve that goal
6 but that's the quest that we're on here, to make it a place
7 where folks want to come and they want to stay here and they
8 want to work in this organization.

9 One of the things we're doing to try to lay out
10 how we're going to get there is, we're developing an
11 integrated human capital plan that will be released in
12 April. We have a first draft of that that we've been
13 working on and our goal is to get that out to OPM and OMB in
14 the month of April.

15 We've done some skill gap analyses over the last
16 year both at the site level and from headquarters. And what
17 we've identified are, there are some needs in the
18 contracting arena particular with all the procurements we
19 have coming up in the project management area.

20 Jim talked about the need to certify some of our
21 Federal project directors. And in case of project
22 management it isn't as much getting more people, but getting
23 those people to have the right skills and certifications.

24 Cost estimating remains an important skill. And
25 at a number of our sites, we believe that we could augment

1 the technical capabilities that we now have in that area.

2 And finally, in response to the defense board
3 concerns, there's a technical qualifications program that is
4 in place across the DOE complex that identifies the
5 technical safety related functions and you're required each
6 year to identify what the skill gaps are and how you will
7 qualify people that do need to carry out safety functions at
8 our sites. And there are a number of areas some small gaps
9 at various sites that we need to address and we're focusing
10 on that.

11 And we're going to try to do this in a sense of
12 multi-pronged way. It's really both using the current staff
13 that you have and developing their talents and their skills.

14 But then also something EM hasn't done in a long time,
15 which is aggressively acquiring new skills and new people.

16 One of the things we've talked about is having a
17 toolbox of different ways to develop the employees. And
18 I've listed a number of them here. Jim Rispoli talked about
19 some of the executive leadership things with the Defense
20 Acquisition University. The sixth bullet over there is
21 really meant to say case study-based workshops. The word
22 "on" shouldn't be in there.

23 And that is what Jim talked about that we did last
24 week. Focusing on those case studies that help illustrate
25 some of the project management problems that exist either in

1 the Department or in other agencies and learn from those
2 things.

3 The key thing here is, there's lots of different
4 ways to develop both the managers and the staff. But an
5 important message that Jim has conveyed is even up at his
6 level, each employee should be working on continually
7 developing and honing their skills and learning more and
8 being a better employee this year than they were last year,
9 more knowledgeable employee.

10 So from top to bottom in the organization, we're
11 focused on development. One of the things that's really
12 energized the program, when I got out and talk to people in
13 the program at the different sites or at conventions or
14 meetings like waste management and we talk about the hiring
15 of folks, it just creates an energy level in the whole
16 organization.

17 But we really are looking at both some experienced
18 people in this case to fill immediate needs in the
19 contracting arena. We don't need just an entry level, some
20 entry-level people; we need some very experienced
21 contracting officers and contracting specialists. And we're
22 going through a recruiting action now nationwide to try to
23 get some of those skills.

24 As I mentioned, we have the Federal Technical
25 Capabilities Program and you do an assessment every year

1 about the skill gaps that you had. And in that case, we're
2 looking at the best ways to do that. In some cases its
3 detailing people from certain sites to other sites. In
4 other cases it might be using support contractors; in other
5 cases it's hiring new and experienced people to fill some of
6 our gaps. But we are vigorously moving out to try to
7 address the currently identified gaps.

8 Something that was talked about before was the
9 Closure Cadre. These are people who have worked at some of
10 the sites like the Rocky's or the Fernald that have
11 experience that could be very valuable to the other sites.

12 And what we're trying to do is draw upon that
13 wealth of talent and wealth of experience to again hit some
14 of the immediate skill gaps that we have.

15 We're looking at establishing in a sense an EM
16 intern program. What exists right now is, there's a DOE
17 intern program that we can use extensively.

18 One of the things though, that at least one
19 organization NNSA has found is that they believe it's useful
20 for NNSA to have their own intern program and they do have
21 an intern program. I believe the current class is about 30
22 or 32 people from my conversation with them.

23 We're going to vigorously recruit interns. If we
24 can do that solely through the DOE program we may just do
25 that. But we're looking very strongly at the possibility

1 that we, like NNSA may need to augment what we can do
2 through the Department's program with an additional activity
3 that is totally focused on EM.

4 But the bottom line message is, whichever
5 mechanism we use, we are going to move out very vigorously
6 in terms of getting new people on board through intern
7 programs. The bottom bullet there should say near term, not
8 near terms.

9 One of the things when you get to be an aging
10 member of the work force, your spelling falls off a little
11 bit here. But we'll work on that. I'll hit spell checker.

12 But terms wouldn't have been caught by spell check anyway.

13 One of the things we're trying to do is even this
14 summer just get some additional summer interns on board.
15 And I'm already in discussions with some of the universities
16 that are already supporting the program like Catholic
17 University that does work for WTP or some of the
18 universities associated with CRESPI that does their risk
19 evaluations to see if through those organizations that
20 already have some knowledge of EM, some experience at EM, we
21 can get some additional folks on board and really start that
22 pipeline flowing a little bit.

23 So we'll be looking at both summer interns and
24 then the longer-term intern program that typically stretches
25 over two years or so with developmental assignments and

1 things like that.

2 One of the things that's going on is NAPA, the
3 National Academy of Public Administration. We'll be looking
4 at the EM program and doing a review. Some of you may know
5 that NAPA looked at the Office of Energy Efficiency. In
6 fact, did it twice over the last six years. And from
7 discussions with folks in the Energy Efficiency office, they
8 found the NAPA review to be very useful.

9 They, it might be an extended schedule of an RK's
10 18 months and I think the energy efficiency one was a
11 similar one that stretched out. But the engagement with
12 NAPA was on an ongoing basis and you got interim reports and
13 interim feedback and they just found it very useful as a
14 move forward with either reorganizations or restructuring of
15 their program.

16 And NAPA really provided a lot of good
17 recommendations and feedback and a good sounding board and
18 just, I heard positive things from everyone I talked to on
19 energy efficiency.

20 So we've identified three areas for them to focus
21 on. One is actually management and organization. How are
22 you structured? Similarities EE, we've already got our
23 concept in place, and I'll talk about reorg in a second.
24 But as you implement that, there's kind of a learning curve
25 you go through on just how do you make it work, and how can

1 you make it work better, and we believe NAPA can help us do
2 some of that.

3 The next thing is human capital. I've talked
4 about skills gap analysis, roles and responsibilities
5 between different offices. The science if you want to call
6 it that of doing skill gap analyses is really maybe not so
7 much a science as it is somewhat of an art form. And we
8 believe that there's things that we might be able to do
9 better and improve, and we're looking to NAPA to help us do
10 that, and really focus on what are some of the core
11 functions that we really need to be carrying out and really
12 help us assess that.

13 The final thing is the whole acquisition machine
14 as we've called it. Jim talked about it extensively. Jack
15 Serash is the one tasked to put that in place.

16 But what we really want to do is talk about how
17 best to do that. If we are changing our model, how do we
18 make that work within the DOE system? How do we staff it,
19 how do we do it efficiently?

20 If we have offices like the Consolidated Business
21 Center in Ohio that has some skills and has some people, how
22 do we most effectively utilize them to support procurements
23 around the complex at either small sites or large sites? So
24 we think again, that's going to be a very, very important
25 area for us to look at.

1 And the mechanism that exists is about every four
2 months or so NAPA provides us an informal report. It's done
3 informally so it's not out there on the web. But it's in
4 effect information that we can utilize and it gives us an
5 ability to maybe recalibrate and shift our focus a little
6 bit. And then their final report comes at the end of the 18
7 months.

8 Jim talked about this a little bit. The nature of
9 the reorg and why we did. The current organization, the one
10 that's in place today has no DAS focused solely on
11 acquisition. There isn't that emphasis.

12 The roles of the various offices, even though
13 we've been in this approach about four years, or three
14 years, the field office doesn't know who to talk to. That
15 makes it difficult for issue resolution. It's a struggle
16 for everyone. That needs to be improved.

17 Third bullet there, the DAS's don't really reflect
18 the functions that Jim really believes are critical to
19 decision making. He believes, and I'll cover this a little
20 bit more later. There's certain folks he wants at the table
21 as his senior advisors. The organization structure today
22 doesn't support that and isn't consistent with it.

23 And we have duplicative functions in multiple
24 offices. It was kind of a constructive tension or whatever,
25 but it also creates unconstructive confusion. So we have to

1 fix that.

2 The proposed reorganization we strongly believe
3 does address those problems. It's been covered before. We
4 now have a DAS on acquisition and project management. We do
5 have the right people at the table.

6 In addition to the DAS for acquisition, there's
7 the planning and budgeting and strategic planning function
8 under another DAS. The regulatory that was talked about
9 that Frank Marcinowski has, it includes a disposition
10 activities and some other external interactions.

11 Jim mentioned engineering and technology under
12 Mark Gilbertson creating that core of technical knowledge
13 that will enable us to oversee what the field's doing, help
14 the field as they're dealing with tough technical issues and
15 support some of the procurements that we have in place with
16 qualified technical experts. The safety function which is
17 obviously our number one priority.

18 And finally the human capital office where you
19 provide the people into the system that enables us to be
20 successful. And Jim has said it just about every occasion
21 he's talked about human capital. An organization is only as
22 good as its people. You cannot have an excellent
23 organization if you only have good or average people. So
24 you really need to focus on the human capital side of
25 things.

1 The reorg has clarified the functions of some of
2 the EM offices and we've worked on some operating procedures
3 to again try to make it a little bit clearer for the folks
4 in the field on who do they deal with, how do they move
5 issues through for resolution in headquarters.

6 Finally, there's an Office of Project Recovery
7 that's going to be headed up by Jim Owendoff. It's in place
8 right now. It will be formally established in the
9 reorganization that really provides the special focus on
10 some of the projects that are having performance issues to
11 really give them the attention that they need so that we can
12 get them back on track.

13 The organization should be in place in the month
14 of April. We're just finalizing the official package.
15 We've done a lot of work with the employees and with the
16 union in Washington, and with the DOE HR organization to
17 explain why we're doing the reorg, how it's going to be
18 structured. So we expect that the last few steps in the
19 process will not be difficult.

20 So in the month of April we should be able to
21 quickly move into that already with the addition of people
22 like Jack Serash. We're already getting some of the
23 benefits of the reorg through the focus on acquisitions.

24 And finally, I've included a copy of the org chart
25 which is probably not readable to the folks in the back.

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1 But the key, as you look at the DAS structure, there again
2 is, whether it's regulatory compliance, engineering, budget,
3 human capital, acquisitions, or safety, Jim has his, in a
4 sense, Board of Directors or folks that really have the
5 different areas of expertise covered that he sees are
6 critical for the decision making.

7 We have the Office of Project Recovery reporting
8 directly up to Jim and Charlie and we have the
9 responsibility for overseeing the field operations that's
10 tied as it is today back to the chief operating office, Inez
11 Triay.

12 So the combination of Jim, Charlie and Inez
13 represents the senior leadership and we believe they do have
14 an organization structure below them that will enable us to
15 much, much better support the field and in making the field
16 be successful which is really what we're all about. Much,
17 much better than the current reorg.

18 And that is really the total of things I wanted to
19 cover. I'll be glad to take some questions.

20 JAMES A. AJELLO: Jim, thanks very much for that
21 presentation. This is an area that has been ripe, I think
22 from our viewpoint, speaking for the Board, for some time.
23 I think we're all quite pleased. I looked around and heads
24 were nodding around the two focused areas among others,
25 human capital, and acquisition development which we have

1 been recommending the past.

2 So we are glad to see that you've gone into that.

3 I have any number of questions or comments. But the way we
4 manage these sessions is to try to turn it over now to two
5 of our board members, Jim Barnes is on the phone and Dennis
6 Ferrigno that will help us conduct a roundtable discussion
7 of the issues.

8 I'd like to ask Jim if he can hear me to go first.

9 Jim has been patiently on the phone, and particularly for
10 this part at least, so that I know he had some comments on
11 this during the last session and has a specific interest in
12 this area given his particular background.

13 Jim, can you hear us?

14 JIM BARNES: Yes, I can. And I appreciate your
15 indulging my inability to be with you there this morning.
16 As close as I have listened here this morning to both Jim's
17 and then also had read a number of the things including a
18 couple of NAPA reports that you had sent along, I mean, my
19 initial reaction is to want to throw bouquets at the
20 leadership of EM.

21 I mean, I think the focus on human resource
22 development is always critical in an organization and
23 particularly from some of the aspects, challenges that EM
24 has now, it seems to me it's even more important.

25 But as I have listened to the main elements in the

1 program going forward, it seems to me you're incorporating
2 absolutely best practice into that program. I mean,
3 starting with it being very clear from the man at the top as
4 to the importance he places on it and why, including the
5 reference that employee and manager development is something
6 that everybody is involved in from the people at the top all
7 the way through the organization that you're looking for
8 kind of continual improvement and development.

9 As I looked at a couple of NAPA reports that had
10 been done, I was very impressed with the people that NAPA
11 had assigned to those earlier panels that they did for DOE.
12 I mean, one of them is somebody from EPA that has been
13 assistant administrator there for management that I worked
14 very closely with as we developed management and executive
15 development programs there and the other one is a longtime
16 person out of the DOD that we used as the instructor in our
17 executive development program here.

18 So it's clear that you're, that DOE had the
19 benefit of some of the best minds in the Federal government
20 who both came up with good suggestions. But then, I guess
21 also as I noted the, I don't know. Was it GAO's, or one of
22 the surveys anyway that had been done that gave DOE high
23 marks for the programs it was putting into place in the
24 human resource area.

25 And I just, I think that's such a good sign. I

1 think the only other thing I noted with some interest that
2 you do have a number of intern programs that you're trying
3 to develop. That's something that along the way I know that
4 I and maybe some of the others on the Board would be
5 interested in maybe contributing detail or ideas to.

6 But it sounds like the main pieces that you're
7 putting in place are exactly the right ones that you'd want
8 to do. So I'm not sure if, from a afar here a little more
9 difficult to try to ask a question or make comments. So
10 maybe I'll let Dennis take the lead in terms of the
11 conversation there.

12 But reaction certainly is very, very positive to
13 what I'm hearing.

14 JIM BARNES: Jim, can I just, in terms of Board
15 reaction, now the two things that struck me that you
16 correctly picked up on. Jim Rispoli is walking the talk on
17 this. I mean, one of the first things we did was get the
18 executive time together and made that major commitment to
19 time, and there's going to continue to be that.

20 So it sends a message to the staff that this isn't
21 something that we're just going to tell you to do, it's
22 something that we're doing too. So it's clear that we're
23 going to do that and we're already showing everyone that we
24 are at the staff level.

25 The other thing you brought up was the level of

1 expertise at NAPA. I concur a hundred percent. When you
2 look at the resumes of some of the people that work on some
3 of the panels, it is just super impressive the talent base
4 that they have and the experience base that those people
5 bring to bear on things.

6 And final comment is, with respect to specific
7 ideas on intern programs, I would welcome specific input
8 from folks that you could pass on to me off line. I've
9 spent a lot of time in the last month or so trying to gather
10 that input, whether it's from universities, from NNSA, from
11 people in the department that run intern programs.

12 Because there are good ways to run them and there
13 are not so good ways to run them. And you really want to
14 do, and we need to do this well. So I'm going to welcome
15 feedback and ideas.

16 DENNIS FERRIGNO: I think for the sake of everyone
17 who is in the audience, it may be appropriate to find out
18 just what the acronym of NAPA is. And it would be the
19 National Academy of Public Administration. So just for the
20 record. Thank you, Jim.

21 One of the things that I noticed in the Office of
22 Energy Efficiency and Renewable Energy and that report was
23 forwarded to us so all of the Board member have received a
24 copy of that.

25 I think it was in 2002 that Assistant Secretary

1 Garman instituted some of the reorganizational structuring
2 and engaged NAPA for doing some of this assessment.

3 What I was impressed with was a comment that they
4 made, and it's in the executive summary about reorganization
5 is not a one-time thing. It's continually reacting and
6 upgrading based on the situation of mission, the situation
7 of where you're bringing the organization, and of course,
8 playing out the values of the organization.

9 So I thought there was a lot of wisdom in that.
10 And I think maybe some of those things can be thought about
11 as we do restructuring, as we work for the next, I guess its
12 18 months with NAPA.

13 Knowing that, that report of course will be a
14 cornerstone and a base to build upon where you are already
15 developing a good base. But it's always going to change
16 based on the circumstances. I guess the comment was,
17 leadership deals with change. Project management deals with
18 complexity. And both are necessary.

19 What I'd like to do though, is not take up the
20 time of my articulating on waxing eloquent on these issues.

21 I do have some thoughts but Dave has his placard up and
22 Jim, you did too. So why don't I just facilitate - -
23 because I can't see the group here. So Dave Swindle, would
24 you please lead?

25 DAVID SWINDLE: I guess, Jim, just a quick note,

1 if you look at where down here it says stabilizing and
2 getting to where an organization that now can meet the
3 requirements of the mission. Can you comment on what are
4 your, I may not have this exactly correct, but what your
5 goal is from a staffing level? What's the gap, meaning what
6 goals you have, obviously if you're recruiting, and then
7 where are you at in an authorization level from an FTA
8 standpoint with OMB?

9 JIM BARNES: First of all, staffing wise, we're
10 right now below our in a sense authorized limit at a number
11 of the sites. And then I'll have to get back to you with
12 the total figure but I believe it's on the order of probably
13 60 or 80 people below what our authorized number is with
14 retirements and things like that.

15 DAVID SWINDLE: If you translated that into a
16 percentage, is that - -

17 JIM BARNES: Well, we have 1,300 people.

18 DAVID SWINDLE: so it's in the five to ten percent
19 range of where your gap is right now.

20 JIM BARNES: Right. In terms of the difference
21 between in a sense authorized versus on board. In terms of
22 specific skill gaps that we have, what you see is at a
23 number of the sites that the gaps are in the range of, at
24 some of our bigger sites, maybe about 20 or so particular
25 gaps out of let's say 200 at a given site that are

1 identified for 2005.

2 We're using 2005 data as we did this. But what
3 we're also looking is with some of the curves under
4 projected retirement, in a sense when you fix today's gaps,
5 next year when there's retirements you have additional gaps
6 that you now have to work on.

7 So we believe that there's in a sense a manageable
8 number of gaps that can be addressed through aggressive
9 recruiting and aggressive training for folks. But what we
10 also have to do is kind of feed the pipeline for that wave
11 of retirements that we see coming down the road.

12 So I think the answer to your question is we do
13 have some head room. We don't, I don't believe that we, for
14 example, have to increase our authorized number of FTEs. I
15 think what we have is through some of the retirements,
16 there's some wiggle room in there. But we now just have to
17 keep the recruiting pipeline and the intern pipeline filled
18 up so that they can meet today's and the ones over the next
19 five-years.

20 DAVID SWINDLE: That will align with your five-
21 year plan now in terms of based upon the skill system
22 requirements to meet your mission requirements.

23 JIM BARNES: Right. Each of the sites has gone
24 through very detailed planning processes. Either they've
25 done it or they're just about finished with it. Earlier

1 this week I went and talked to the folks at Savannah River.

2 And just in January they had issued a five-year work force
3 plan that their future missions, clearly identifies the
4 skill gaps that they see today, and how those skill gaps
5 change over the next five-years.

6 And each of the sites, major sites are doing those
7 types of analyses.

8 JAMES A. RISPOLI: If I could add, there's
9 something that I, when the NAPA group is formed, and Jim
10 tells me that they're not yet finally formed. And I fact,
11 it may be that we still have an opportunity to add to that
12 or to suggest that they add to that panel.

13 But I'd like to ask them to try to compare us to
14 other Federal agencies. I don't think you can find an exact
15 match, but again, the conference I was at on Friday, some
16 interesting comparables. There are many differences. But I
17 think it would be comparable.

18 We are at about six billion dollars a year. It
19 turns out that the Naval Facilities Engineering Command is
20 six billion dollars a year, all of it basically performed by
21 contractors. And nearly a hundred percent of their
22 engineering design and a hundred percent of their
23 construction is done by contracting.

24 Well, compared to our staffing of what did you say
25 was on board?

1 JIM BARNES: 1,300.

2 JAMES A. RISPOLI: I think we're authorized at
3 about 15 hundred. They have something like six thousand
4 three hundred people. We have how many contracting people?
5 1102's they call them, contracting? Fifty nine?

6 DAVID SWINDLE: I was going to say about 60.

7 JAMES A. RISPOLI: They have about 625. They
8 have, I think, and I'm going from memory. I didn't bring
9 the papers. But I know they have 4,800 engineers that their
10 chief engineer is kind of a sponsor for throughout the
11 complex.

12 So, and in order of magnitude, we are
13 significantly different. But on the other side of the coin,
14 they have over 600 contracts. So they have 625 contracting
15 people, but they have over 600 contracts.

16 They don't have dedicated safety people on all of
17 their contracts because it's done by the construction rep.
18 Because their safety challenges are different.

19 And they don't have the large either M&O or
20 incentivized contractor that then manages through
21 subcontracts. So it would be interesting to see if they can
22 draw any cross walk for us that both considers the
23 comparables and then looks at the differences.

24 Because right now we're benchmarking against just
25 ourselves. I mean, we're asking our site managers how many

1 more people do you need in this area or that, and what are
2 the - - site. But we're using our own selves as the
3 benchmark when there are other agencies out there that
4 perhaps we can crosswalk against and see just how
5 significant is our issue.

6 I don't think I honestly know right this minute
7 how significant that issue is. But I think that would be a
8 good exercise to put them through to see if they can help us
9 do that cross walking.

10 DENNIS FERRIGNO: That's an excellent comment.
11 David, do you - - next?

12 JENNIFER A. SALISBURY: Would it just be Federal
13 agencies where you could get that comparison? Are there
14 other corporate examples, or state agencies?

15 DENNIS FERRIGNO: Well, immediately coming to mind
16 are large chemical companies that does operations in as
17 significant capital. Whether it be DuPont. Dow, DuPont.

18 JAMES A. AJELLO: Well, I was going to add a few
19 things, a few recommendations. One of them along these
20 lines. I think what you're doing is the good news. The bad
21 news is that this is an industry-wide problem. The aging of
22 the workforce, 50 plus in terms of age, and the 50 percent
23 eligible for retirement in the next five-years, those are
24 what I call the 50 scary statistics are all around us. In
25 our company we have several thousand operators that have

1 exactly your age profile.

2 In addition, I think the news is additionally grim
3 because you have, you're dealing with an industry that has
4 not replenished itself over many, many years. So that's
5 more bad news I think in terms of the challenge or the
6 effort. We have not been training and replenishing this
7 particular industry, the waste disposal industry in terms of
8 the highest and most complex, and in fact, all of America is
9 behind in respect to the nuclear industry whether it be
10 civilian or governmental related activity.

11 So we we've got a real problem in our hands, the
12 collective "we." So I think that you're not only in a race
13 to fix what you've got now with these good initiatives, but
14 you're in a severely constrained and competitive environment
15 that goes nationwide.

16 With the chemical industry, refining industry and
17 some of the other major purses industries that some of us
18 are familiar with. So I think that we really have a
19 challenge on our hands here. I would not understate the
20 need to act with urgency around this.

21 And thus, and I applaud the NAPA work. But 18
22 months is a long time. And even four months at a time is a
23 long time. I would immediately move to go after some low-
24 hanging fruit. And take the 80/20 approach when it comes to
25 issues like this. Meaning, when you know about 75 or 80

1 percent you act. And you don't wait for the last bits.

2 The other thing I would suggest is that combine
3 two things with your internship activities. A mentoring
4 program. I think once you have people squared away in an
5 internship program, you're then going to develop - -

6 Then you're going to develop them and then your
7 challenge is going to revolve to retaining them. So you
8 would have spent a lot of time recruiting, developing them,
9 and now you need to keep them. So a mentoring program which
10 we could also make some suggestions, I know Jim and the
11 others here have specifics that will get back to you. I
12 think it's really important.

13 I noticed something a little bit off this
14 particular topic, but you also made a point of saying in
15 your presentation that you needed to get clear about
16 decision making in the organization. And I'm not as
17 familiar with the program as the gentlemen here at the table
18 are, but I found that clear delegations of authority well
19 publicized, who can provide advice versus who makes a
20 decision in an organization and who is responsible for
21 making a capital commitment, operating commitment, hiring,
22 firing, the whole bit can make for a lot of clarity and can
23 speed up - -

24 And actually be a very refreshing aspect in your
25 human capital development because it will clarify and de-

1 frustrate the organization. And so that would be another
2 organizational suggestion.

3 A lot of people don't think delegations of
4 authority are important relative to the organization, but
5 they really are in terms of getting people clearly behind a
6 mission. And so I think that we can, I just want to give
7 you these in machine gun fashion. But I think there are
8 great opportunities here. Tremendous upside for you in a
9 handful of areas. I really look forward to working with you
10 on them. Thank you.

11 DENNIS FERRIGNO: Maybe it's a more rapid-fire
12 machine gun.

13 C. STEPHEN ALLRED: In my private career we used,
14 we have programs particularly with the Department of Defense
15 and the EPA where we actually exchanged middle level
16 managers and I don't really remember that happening with the
17 elite. But to me, that was extremely valuable, and I think
18 the agencies found them valuable too.

19 We would exchange on essentially equivalent levels
20 for a year. And I know the people that I got back certainly
21 understood the Federal agencies much better than they did
22 previously.

23 So because of that we were better able to
24 anticipate the client's needs. And I have to think that
25 that Federal employee who was with us for a year usually,

1 these were very targeted. But they certainly understood how
2 private industry operated much better than they would have
3 otherwise.

4 And we, the key to that is to make sure they
5 actually have responsibilities and are a part of the
6 decision making organization that they go to. But that's
7 something I would encourage you to look at because I think
8 that's an invaluable training. While it's difficult to do
9 when you're understaffed, it was invaluable for future
10 leadership.

11 DENNIS FERRIGNO: I have two comments. First, I
12 don't know whether we introduced Jack Sarash. I had the
13 opportunity of being with him as the rest of the - - on the
14 tour, and what a great asset. And congratulations on that.
15 If we introduced him, welcome aboard today. Sorry I wasn't
16 paying attention.

17 The comment I had though in acquisition, and it's
18 something that's just classical. I came out of the Corp of
19 Engineers; my good brother came out of the Navy at the same
20 time. Some basic things in military tactics was field
21 operations and command control. There's a certain point
22 where you turn it over to the command and control. The fear
23 of operators, the concept of central versus decentralized.

24 And I'm a big believer in decentralized operations
25 once clear lines of authority are given clear mission to

1 fall back.

2 However, when one is developing a five-year plan,
3 what one is doing, the execution of the larger scope,
4 strategy. The question that comes to mind is do I
5 decentralize that implementation or the early phases of the
6 implementation, namely the Acquisition strategy?

7 Where does that line of demarcation lie? And it's
8 always going to be moving. I'm a just, and I don't know any
9 details. But I would just say that when large procurements
10 are being solicited, that impact by the year or so type
11 planning and strategy, the fear of operation at that phase
12 of procurement might not just be in the local site. It
13 might be on a national level, that has been delegated into
14 the local site once the strategy is sent and once the
15 acquisition is made.

16 I don't know what other people's opinions are.
17 I'd like to leave it more policy orientated or something
18 that we can maybe, if you're interested in our opinions,
19 they're more in detail on off-line, not off-line, but sub-
20 committee are working. But it is something that is near and
21 dear to my heart as far as setting strategy and then
22 executing and putting theatre of operation control to the
23 people who really are vested with that authority and
24 responsibility - - .

25 JAMES A. RISPOLI: Would you like a little

1 discussion on that?

2 JIM BARNES: If we have the time. Unfortunately,
3 I have to leave in about two or three minutes. Any
4 questions for me, and then - -

5 DENNIS FERRIGNO: The answer is, Jim, yes.

6 DAVID SWINDLE: Jim, just one point. There's a
7 perception in the marketplace, and I'll leave it like this,
8 and this is true whether it's a Federal employee recruiting
9 initiative, or a contractor that because it's the Department
10 of Energy and it's nuclear related, that the skill set to be
11 an effective manager in DOE you must have that resume of a
12 nuclear background.

13 And as we know, more and more today, there's less
14 opportunities to develop that skill set because the industry
15 is not there to generate that. I think as you look both
16 whether it's at the contractor level, field office level, or
17 recruiting internally, and it's not to de-myth, so to speak,
18 that perception, but I think that the augmentation of the
19 nuclear skill is just that. It's an augmentation. It's the
20 skill set that's what's important to acquire.

21 Because I think, I know, a lot of the folks I've
22 dealt with and even come from DOD, to bring some of that
23 skill set that's from the Federal side, don't even think of
24 DOE because they get, they feel they're already cut out of
25 the loop because they don't carry that nuclear credential.

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1 So just an observation.

2 JIM BARNES: That's a very good observation.

3 JAMES A. AJELLO: Thanks very much for your
4 presentation this morning. I know you have to leave.

5 LORRAINE ANDERSON: I'll be very brief. Your
6 reorganization, in fact both of your field office managers,
7 I think is critical to your relationships with your
8 stakeholders and your local government.

9 We continually have discussions at the Energy
10 Communities Alliance about good managers and bad managers.
11 And I think some of your successful managers probably need
12 to dialogue with those sites that have more problems in
13 dealing with your stakeholders; and I think the partnership
14 then can be enhanced and make your job easier at each site.

15 JIM BARNES: I think that's excellent. Again,
16 that's one of the things that Jim has encouraged us to do is
17 have that dialogue among the sites, share both the good and
18 bad things that have happened so that there is that flow of
19 information from one site to another and from headquarters
20 to the different sites.

21 DENNIS FERRIGNO: Recognizing the time constraints
22 that you have, Jim, could we maybe go to the public comment
23 period and then if we have some additional time we could
24 maybe talk as a group? But we do like to leave a period of
25 time open that there might be any comments from those that

1 are in attendance concerning this subject matter that you
2 just heard.

3 Are there any comments or questions from the
4 representatives that are here from the state - -
5 communities? No? Jim, did you want to comment on that, or
6 would you like to leave it, looks like I - -

7 JAMES A. RISPOLI: Why don't we come back to that?

8 I was on Acquisition strategy and maybe we could pick an
9 appropriate moment to discuss that and still keep us on
10 agenda. It just relates back to the delineation from
11 headquarters' function and role and the field function and
12 role.

13 JAMES A. AJELLO: We have another public comment
14 period in the afternoon and so we'll, there will be another
15 opportunity as well for all these comments. I had an
16 additional point. I'd like to offer, and some of us in
17 particular have a lot of passion and insight into these
18 challenges.

19 Any type of interaction you would like us to have
20 and the agenda's up to you relative to this NAPA work. I do
21 think that if there's input on scoping or suggestions that
22 you would like or sounding board kinds of conversations, I
23 believe in a working group level, or otherwise we would be
24 keen to do that.

25 I see - - made the offer in the past that's his

1 particular area of expertise. But many of us, as you can
2 tell, are very keen to see this work. So we offer that
3 advice as and when you would like to have it.

4 JAMES A. RISPOLI: One thought I think is, and I
5 think that this has been hinted at before, would be, since
6 they are panelists not yet locked up, and I believe Mr.
7 Barnes on the phone there, is a member of NAPA, whether that
8 would be of interest to have some conveyance of this group's
9 perspectives and insights into EM participate on that NAPA
10 panel.

11 But I don't mean to put anyone on the spot.
12 Especially when the person is in the room. Usually they let
13 NAPA do things. But it's a thought that Jim could certainly
14 pursue with the appropriate people if that is something you
15 want to go with.

16 JAMES A. AJELLO: Jim, I think that's a cue for
17 you, if you have a comment.

18 A. JAMES BARNES: No, I had a little bit of
19 trouble following that last - -

20 JAMES A. AJELLO: Well, the suggestion or the hope
21 is that the Board can convey through possible participation
22 on some of the NAPA panels any input that we have, inasmuch
23 as we all have a lot to say about the topic, and the hope
24 was that you might have an interest in particular because
25 you are involved in NAPA and your knowledge of the program.

1 A. JAMES BARNES: Sure. I have debated back and
2 forth a little bit on that. I mean, I have, I've sure got a
3 number of NAPA panels and have a lot of respect for the
4 people and the processes that's used here today. Usually I
5 get some both very good consultants and staff folks to look
6 at issues.

7 So I mean, it seems to me there are two ways to
8 point at me. One would be as an inside player on that and
9 the other one is to be active in reacting or contributing in
10 whatever they do from the mission on the Advisory Board.

11 JAMES A. AJELLO: We really, just to reconfirm our
12 mission, Jim, thanks very much. Thanks very much for
13 coming. We really serve, just to remind everybody, as an
14 advisor to the Assistant Secretary for the EM program. So
15 at his pleasure and given the scope that he would determine
16 for us.

17 And so I, but I do think there's a lot of grist
18 for input in this area. So we'll work out the specifics of
19 how we might input that. And I do think there's a great
20 opportunity here. Because NAPA people, although very
21 skilled in this area will not start with the knowledge that
22 we have a - - program and its people.

23 I think one of the obvious areas to begin with is
24 helping them come up to that level and I think the core
25 expertise on human capital management will be theirs. But

1 this is what this is entirely up to you.

2 DENNIS FERRIGNO: Jim, with your permission, I
3 think we can close this portion of the session and we're
4 five minutes ahead of schedule.

5 JAMES A. AJELLO: That's great. We've made up
6 some time. We're going to adjourn now for lunch. The
7 meeting will reconvene at 1:00. And we look forward to
8 seeing you all again. Thank you

9 (OFF THE RECORD)

10 JAMES A. AJELLO: We're reconvening the
11 Environment Management Advisory Board session. We're at the
12 1:00 hour. And for this purpose, Frank Marcinowski is going
13 to talk to us about waste and materials disposition. We'll
14 do what we did this morning, which is that we'll have some
15 discussion after the briefing.

16 And for those of you who weren't here this
17 morning, we do have opportunity for public comment at about
18 4:15. So please look forward to that.

19 We'd like to welcome you, Frank. The floor is
20 yours.

21 FRANK MARCINOWSKI: Thank you. Thank you for
22 having me here to talk about some of the work we're doing in
23 my particular office.

24 Right now in the current organization, I'm in
25 charge of logistics and waste disposition. The work that

1 I'm going to talk about today will actually carry over with
2 me into the new organization, so I'm going to be continuing
3 to do this work, and I'm going to give you an overview of
4 where we are.

5 One of the charges for my office is understanding
6 complex-wide what the waste disposition movement is. What
7 sites are disposing where, what receiver sites are getting
8 their waste from what particular facility? And so we're
9 looking at that on a complex-wide basis.

10 A lot of the sites are appropriately making
11 decisions on what their waste disposal pathways are. But
12 until now, I don't think there had been an understanding, at
13 least I don't think there has been, an understanding of the
14 total picture of how waste movements are happening across
15 the complex, and how decisions at one site may be affecting
16 decisions that are being made at another site. So that's
17 what my job is.

18 The framework in which we looked at this is DOE
19 Order 35 and 413. We're actually looking at this as a
20 project and we've managing it as a project. And we're
21 collecting all the information from various sites, compiling
22 it, and that's what we're going to talk about here.

23 And the particular waste streams we've been
24 focused on right now, are low-level waste, mixed low-level
25 waste, transuranic, greater class C, which is a sub-category

1 of the low-level waste.

2 High-level waste and spent nuclear fuel, I'm not
3 going to spend a lot of time on here. We have compiled
4 inventory information on all these categories. As far as
5 the last bullet up there, the high-level waste and spent
6 fuel, the disposition path is, as you know, Yucca Mountain.

7 And there is uncertainties right now as far as the, when
8 that facility is going to be available to accept waste.

9 The waste movement and waste disposition comprise
10 a significant portion of EM's budget. After all, that is
11 the end point of when we're doing processing materials,
12 there's a waste that comes out the back end.

13 As we're digging up at these facilities, their
14 soil volumes, their debris waste, that all has to have a
15 home. Has to have some place to go to for final
16 disposition. And we've been working with the sites,
17 understanding their plans, helping them with orphan sources
18 that currently are unidentified, have an unidentified
19 disposition path.

20 And the whole purpose of this effort is to
21 integrate all those plans from all the various sites. We've
22 been, started out by collecting updated inventory
23 information from all the sites.

24 Low-level and mixed low-level waste comprise the
25 largest volume of material that we have. And right now,

1 we've collected information on all the EM waste projects and
2 we're looking at a phase two where we would perhaps broaden
3 it further for other offices as well.

4 This map here, you take a look at this map and you
5 say what am I supposed to get out of that. And frankly,
6 it's difficult to understand and that's what you're supposed
7 to take away from this. This is a very complex system. And
8 we affectionately call this the spaghetti map because if you
9 picture all these lines as strands of spaghetti or string,
10 if you pull on one of them, you're going to create tension
11 somewhere else within the system.

12 And if one of them breaks, then you've got an even
13 bigger problem. If we lose a disposal site, you know, then
14 we've got to look at workarounds for how we're going to deal
15 with this material.

16 So that's what the whole purpose of this is. It's
17 not to understand where each one of those lines goes to.
18 It's just understanding it's a very complex system that
19 we're trying to understand. And as I mentioned, the
20 strategies that we're developing are going to integrate all
21 of these various site plans so that we have an understanding
22 of how the stresses and strains, whether they're regulatory,
23 compliance driven, are going to affect these as we make
24 decisions in the future.

25 Now I mentioned the framework. 435 is one of

1 them. Our policy is driven by the 435 as far as how we make
2 waste disposal decisions. And from low-level and mixed low-
3 level waste, what that is, we try to dispose of it on site
4 where it is generated.

5 If that is not a feasible option, we look at other
6 DOE facilities. And there are exceptions where if we can
7 dispose of it in a compliant manner, if it's cost effective
8 and it's in the best interest of DOE, we can use commercial
9 facilities.

10 We in the past, I say couple of years, mostly in
11 the last year have made a significant use of commercial
12 facilities. And that's for a number of reasons. One of
13 them being a primary driver is that we had issued a solid
14 waste EIS in - - back in '05 for use of the Hanford
15 Facility.

16 That facility right now is not an option for us,
17 so we had to find a different pathway for all that material
18 that we were going to sent to Hanford. And so we have, we
19 believe we have done that at this point.

20 TRU waste, the WIPP is only for defense TRU.
21 Right now we have no disposal option for non-defense TRU.
22 So right now the way that we're dealing with that material
23 is putting it in safe storage, at whatever site it happens
24 to be at.

25 High-level waste and spent fuel I mentioned

1 earlier are the same thing. We're stabilizing it, keeping
2 it in safe storage until we have disposal paths available.

3 These are just the resources this Department has
4 as far as disposal facilities. We had counted on two
5 original disposal facilities; one at Hanford, one at Nevada
6 for a lot of material to go to.

7 As I mentioned, we had issues, legal issues with
8 the Hanford facility. Right now the Department has decided
9 that it's not going to send materials or any kind of waste
10 to that facility until those issues are sorted out and
11 there's a significant uncertainty associated with that.

12 We recently, back in November of last year under a
13 RCRA agreement with the state of Nevada had opened up the
14 mixed low-level waste disposal facility out there, which is
15 now available to us, and it's actually the only facility
16 available to us for mixed low-level waste with intermediate
17 carry content. Ten to a hundred pico curies per liter
18 content.

19 And this just describes what I just talked about,
20 the two regional facilities. The, well the TSCA incinerator
21 I didn't mention. That's a resource as well. And the
22 original plan was to close that facility in '07. If we do
23 that, we're going to orphan a lot of, a fair enough amount
24 of material.

25 And it doesn't have another disposal or treatment

1 path at this point in time. So the decision was made, we're
2 going to keep that facility open for at least another couple
3 of years and keep it operational till we can dispose of or
4 treat the remainder of that PCV or TSCA material. And I
5 mentioned the disposal at, larger volumes at commercial
6 facilities as well.

7 There's three commercial facilities available to
8 us right now for disposal. Energy Solutions which, well,
9 it's not final yet, but that was the Enviorcare's facility
10 that has joined ranks with Doratac and a couple of other
11 companies to form a new organization, U. S. Ecology, which
12 is up in Hanford site and the Barnwell site which is going
13 to be available to us only till '08 at present for disposal
14 of, and Barnwell can actually take some of the higher
15 activity mixed low-level waste at this time, but it's not
16 going to be available to us for long.

17 And there's a list of commercial processing
18 facilities for mixed low-level waste at this point. And we
19 use the, we use all of these sites on a regular basis.

20 Now another one that's not up here, that is
21 currently a storage facility that may become available to us
22 hopefully within the next year or so is the Waste Control
23 Special Facility down in Texas. They are in the process of
24 trying to get licensed.

25 We are storing certain material there. In

1 particular the biggest issue right now for us is we've got
2 1182 silo material from Fernald that's being stored there.
3 And they need to attain disposal license so we can finally
4 put a - - say we're finished with that particular material.

5 If not then, we're going to have to try and find
6 some other facility to accept that as waste. We couldn't
7 leave it there beyond '07 under the current agreements.

8 And this is, we collected our data as compiled all
9 our inventory data as of November of last year. This is a
10 list of the inventory that we had stored on site as of the
11 end of last fiscal year. This was material that we were
12 actively managing, and ready to dispose of.

13 And you'll notice there are actually some closure
14 sites on there. The mound of 42,000 cubic liters, but we've
15 actually worked off most of this waste already. It was
16 ready for disposal and we found pathways for a large portion
17 of this material. So it's already been disposed of, or in
18 the process of being disposed.

19 Here are some projected volumes. Now this is all
20 looking forward. This is from, like I said, the November
21 beta call that we did and this looks out over the next five-
22 years, from '06 to '10. And then from '06 to 2035, over the
23 life-cycle.

24 If you look at the bottom line, 2.6 million in
25 that five-year time frame, and then 4.2 for the - - 2035.

1 These are large volumes, but compared to what we've been
2 doing over the past few years, these are actually declining
3 volumes. We've disposed of the bulk of the waste in the
4 last few years.

5 We've been doing, for the last, last year, we did
6 over a million cubic meters that we disposed of. So we've
7 peaked in terms of waste volumes. And so now we're on the
8 downside, down slope in disposing of those materials.

9 And this lists them by disposal site. We can
10 manipulate the data in a variety of ways. And I'll show you
11 that a little later.

12 On the mixed low-level waste site, this is a
13 similar chart that we saw for low-level waste. These are
14 the inventories we are actively managing on site at the end
15 of '05.

16 What I wanted to point out here is the, you'll see
17 that Rocky Flats is up there. This is material that needs
18 to be treated before we can dispose of it. The Rocky Flats
19 material is not on site. It's actually at a treatment
20 facility. It needs to go through the treatment process and
21 then it will be disposed of at - - right now it says WCS.
22 It will eventually wind up in Energy Solutions.

23 But these are the volumes we're looking at. Idaho
24 had the largest volumes and what that is, now that we have
25 the option of disposing of the higher activity mixed low-

1 level waste at the Nevada test site, this was waste that is
2 currently being managed as TRU waste. But we now have the
3 option of disposing of it at Nevada. And that why that
4 number is there. It's a recent estimate and we're looking
5 at disposing of it in Nevada.

6 Similar to what we saw for low-level waste, these
7 are facilities and the volumes we're looking at. By the
8 way, we think we have sufficient capacity with the current
9 disposal facilities to deal with all this material.

10 If you look under the treated volume, you'll see
11 that it's to be determined for '06 to '10. Ten thousand
12 cubic meters, the largest portion is yet to be determined.
13 What that is, it's not necessarily orphaned material. But
14 what we have are alternatives on how we can treat it. And
15 so we're trying to determine what's the best way to deal
16 with that particular material.

17 And so it's not all orphaned. Some of that will
18 be orphan material that we don't have a disposal pathway
19 for. But what we find is that the, we have the largest
20 problems with the mixed low-level waste in terms of
21 orphaning and not having disposal pathways for.

22 Because there are just some treatment technologies
23 that aren't available to deal with some of this material.
24 And so we're working with contractors and folks to try and
25 develop those types of technologies.

1 We held last year what was called FEDRAD workshop
2 and we're going to hold one again this year. And the whole
3 sole purpose of that was to get all of the sites together,
4 the waste managers and the contractors from those sites who
5 are very familiar with that material and work together to
6 try and find out how we can dispose of some of this orphan
7 material.

8 And it was actually pretty successful. We
9 actually worked off a significant volume of what until that
10 point had been orphan material. And we're going to do it
11 again this year so that we can try and work off more of
12 that.

13 But just by bringing folks together and getting
14 that synergy going between all the contractors at the
15 various sites and the waste managers, we were able to deal
16 with a portion at least, of that material that hadn't had a
17 disposal path.

18 JAMES A. RISPOLI: Frank, would you mention for
19 them the business about the Nevada test site?

20 FRANK MARCINOWSKI: Sure. About that being
21 available to us?

22 JAMES A. RISPOLI: Up until.

23 FRANK MARCINOWSKI: Right, right. The agreement
24 with the state on this is that the original design for the
25 facility, we had 30,000 cubic meter capacity remaining. And

1 that they wanted this disposal facility closed as well.

2 So the agreement that we struck with the state of
3 Nevada was that we would leave it; we would close it within
4 five-years which is December 2010. Or until we reach that
5 20,000 cubic meter capacity.

6 So those are the two marks. Which ever one we
7 need first, we have to close at that point in time. So as
8 far as this mixed low, the higher activity mixed low-level
9 waste, we're looking at utilizing all that capacity because
10 at this point in time, there is no other facility available
11 to accept this material.

12 So what Jim is alluding to is, we've got five-
13 years in order to utilize this facility, and at that point
14 in time between now and then, we need to determine how else
15 we're going to deal with this material.

16 JAMES A. RISPOLI: And when Charlie talked about
17 optimistic assumptions in many of the base lines that had
18 been established that can't be verified, it assumed that all
19 these things would be resolved and instead, what Frank is
20 finding is that when we had to get Columbus closed, we
21 couldn't bring the waste to Hanford.

22 We had to bring it somewhere else and then we'll
23 have to move it again. And so you incur extra costs and so
24 we've set up a whole program and committed to a program that
25 in many cases, not all but many, just has assumptions that

1 didn't pan out and perhaps just couldn't pan out.

2 And so that's why we're trying to get these, you
3 talked about contingency earlier. We're trying to get more
4 realistic base lines so that if we can solve the problems,
5 that's great. Then we'll beat our base lines. But when you
6 know that you're not solving these because these assumptions
7 are not coming true, we've committed to things that in some
8 cases just will not be brought to closure.

9 That's what Frank, that's why this is so key in
10 understanding the challenge to the environmental management
11 program.

12 FRANK MARCINOWSKI: The other thing I'd mention in
13 that regard too, is that we found out that some of our
14 closure sites, the larger ones, Rocky and the Ohio sites,
15 that the original estimates on low-level and mixed level
16 waste that we signed up with a contract and the original
17 contract was well below what the final volumes were. So our
18 original estimation of the waste volumes was in error.
19 Seriously in error.

20 So what we're doing is, we've got a group of folks
21 who are working with Rocky and with the Ohio sites to
22 understand how they did their volume estimations and what is
23 it we can apply to these new contracts that we're putting in
24 place so that we can improve how we make these estimates.

25 Some of the issues that we're dealing with, and

1 I'm sure that we've touched on some of them. But the
2 availability of the DOE disposal facilities, Hanford being a
3 big one. And we talked a little bit about future disposal
4 capacity for the higher activity mixed waste.

5 I touched on the Fernald Silo material and the
6 uncertainty right now with getting a disposal license at WCS
7 where the material currently is being stored.

8 Life-cycle cost analyses. The GAO back in October
9 of last year issued a report which criticized the Department
10 on how, or how it doesn't in all cases utilize life-cycle
11 cost analyses in determining, in making disposal decisions.

12 And Congress reiterated that and requested that we
13 submit a report to them which we did back in February of
14 this year on what we're going to do to correct that
15 situation.

16 And we're, by this summer we're going to make a
17 decision about what kind of additional guidance we need to
18 issue to these sites. But in lieu of that guidance, we're
19 actually working with the sites to, in effect, use this
20 system to make those decisions. And we've actually recently
21 done that with Paducah in the scrap metal that they've got
22 there.

23 TBD waste. We've talked a lot about orphan waste
24 and that's what that is. That's the orphan material that we
25 need to find disposition paths for.

1 TSCA Incinerator, I mentioned that already and
2 constraints in treatment capacity we've touched on already.

3 We need systems that currently are not available and
4 technologies that currently are not available to treat some
5 of this more difficult waste. Some of that's in the process
6 of being developed. We just need to continue to encourage
7 that to happen.

8 The national strategy, in addition to just getting
9 inventory estimates, we're part of what we're doing right
10 now is preparing a report. This report is, we're going to
11 make available for public comment. It's in the final review
12 within the Department right now.

13 And even though we're going to issue this report,
14 I myself don't see this as a one-time report. I see this as
15 a living document where each year we're going to be asking
16 the sites to update their inventory information because the
17 situations change faster than you can imagine as far as
18 waste volumes, disposal facility capacity.

19 And all these issues come into play that we need
20 to take into account year to year. And so that's what we've
21 working towards, is a system where we can do that. And look
22 at it on an integrated basis.

23 What else we're doing is, all this data that we're
24 collecting, we've got a website that we're developing and
25 it's going to be publicly available. We're working that

1 through Florida International University. And these are the
2 updated waste maps which hadn't, I think they were last
3 updated in 2000.

4 But we're going to do that, like I say, we're
5 going to do that on a continual basis. We are close to
6 having that website available for use I'd say within a month
7 or six weeks or so that will be available.

8 And this is going to be a tool that you can look
9 at the information that we've got in there. You can look at
10 it from the generator site perspective, you can look at it
11 from the disposal site perspective. You can look at it by
12 waste stream, waste type, or you can just look at it in a
13 consolidated fashion. So these are some of the tools that
14 we're developing to help us monitor our system.

15 And the next couple of slides just show some of
16 that. These are the updated waste maps. These are similar
17 to what were developed back in 2000. But what we have in
18 the first column there is the - - this is on a waste stream
19 basis. By site, by waste stream and then by waste type, the
20 volume in each of those waste streams, if it's low-level
21 waste, whether it's greater than Class A or not.

22 Because some of the other facilities, and a large
23 part of what we deal with is Class A material. And where we
24 run into problems is the greater than Class A. Because B
25 and C facilities commercially are not available.

1 And then it gives us a status. Sort of what we do
2 on all our projects are red, green or yellow as far as we've
3 got confidence that this is going to work out the way we've
4 got it planned. Is there some risk associated with it, or
5 do we not have a disposal path at all?

6 So there's a risk indicator as well and then
7 there's your disposal site on the end. And this is, we've
8 got, this is for I think low-level waste. But we've got
9 similar maps for TRU, for spent fuel, high-level waste. So
10 this is the tool that's going to be available to everybody.

11 So we've also updated, we'll display it in a
12 different format. This is still a Fernald Site that we saw
13 in the previous one, but then you see the routes there for
14 planned disposal for the waste there. So you're going to be
15 able to view it either in that previous schematic or on a
16 geographic format.

17 We'll just spend a few minutes on greater than
18 Class C. The Department had the responsibility ever since
19 the low-level - - Policy Act was issued to develop a
20 disposal facility for greater than Class C waste.

21 This is not a significant volume of waste that
22 we're finding out. We are in the process of trying to
23 identify that entire inventory. And the, this has been sort
24 of a jumping around from program to program within the
25 Department for a number of years.

1 And back in '04, I think it was November of '04
2 actually, EM was designated as the organization that will
3 take the responsibility to identify a disposal facility for
4 this material.

5 And what, GTCC technically only applies to NRC
6 licensed material. But we're also including in the
7 inventory what would be DOE GTCC like material. So the
8 material that's similar but not licensed by EPA or by NRC is
9 being included in that inventory which is currently being
10 defined.

11 Back in May of last year we published an advance
12 notice of intent to prepare NEIS. We're planning this year
13 to issue the notice of intent. We got several comments on
14 the advance notice and once we issue the notice of intent,
15 that starts a clock by which, a schedule by which you're
16 supposed to have the EIS actually issued. And it's about a
17 two-year timeframe.

18 We've got certain requirements on the NEPA Policy
19 Act that was issued last year and we've got a couple of
20 reports that we're required to submit to Congress in the
21 August and September timeframe on the cost and scope of that
22 EIS.

23 And so we're working toward that. We're going to
24 meet that deadline. But these are just requirements that we
25 have in order to move forward in identifying a disposal

1 facility for this particular material.

2 TRU disposition. This was mentioned a little
3 earlier. This, well, from my perspective, I think, I've
4 been proud of where we are with the TRU program. I know
5 that was mentioned earlier. But I think we're doing good
6 things with this program right now, and right now what we're
7 doing is, the operations are moving well. We are fine
8 tuning them at this point in time. And so what we're, the
9 issues that we're moving forward with right now are just in
10 improving efficiencies and volumes of waste that are shipped
11 per truck and those type of items.

12 36,000 cubic meters of contact-handled TRU have
13 been disposed of so far. And for seventeen of the smaller
14 sites, not all small sites, Rocky Flats is one of them.
15 We've removed all those legacy, shippable legacy TRU waste
16 from those sites.

17 And it's a pretty good list that we have there.
18 And we actually completed a couple more this past year out
19 in Nevada and Livermore.

20 Estimated volumes. Here are estimated volumes,
21 contact handled, remote handled per site. 35,000 cubic
22 meters, a little above, close to 36,000. So we're, that's a
23 about a quarter of the TRU waste that we've already disposed
24 of.

25 Idaho obviously has the lion's share of that

1 material and we've got a good plan that we feel comfortable
2 with in how we're going to move this material. Idaho is
3 going to be getting a lot of the resources in order to
4 continue to move that material out there.

5 We had a compliance milestone of 6,000 at the end
6 of '03. I'm sorry. At the end of this past December. We
7 didn't make that milestone on that date, but we did make it
8 shortly after that on February 21st. And they're continuing
9 to move.

10 INC, WTP is now in full swing operations. They're
11 well on track to meet the next compliance milestone at
12 Idaho. We're well ahead of schedule. And the other
13 resources are going to be devoted primarily to Los Alamos,
14 Hanford and Savannah River. And the small sites will be
15 done on a campaign basis as needed.

16 Issues the next step with TRU waste. I just
17 mentioned the compliance milestones. Another big issue for
18 us this year is the permit mod that we're hoping to get from
19 the New Mexico Environment Department. And this will allow
20 us to dispose of remote handled waste.

21 And we're gearing up at some of our sites to
22 prepare for that. There's actually hearings later this
23 month running into the first part of next month out in New
24 Mexico on this particular permit mod. And we're hoping
25 things will turn out well and that later this year we'll

1 have that actual permit in place.

2 Optimizing waste shipments. I've already touched
3 on that about improving those efficiencies. Shipping
4 containers for some of the larger boxes. We need to get
5 that approved. We currently do not have that, and we're
6 working towards that.

7 And the corporate resources. AMWTP is a large
8 resource for us. The TRU facility down in Oak Ridge is
9 another one as well that we're hoping to get. It's already
10 started operations out there. We need to get regulatory
11 approvals in order to allow them to ship. And that's moving
12 forward. Hopefully that will happen this summer. So things
13 are moving well on the TRU front.

14 And this is the last of the individual waste types
15 that I was going to cover. I just want to close by saying
16 that we, as I mentioned, we're in a process of finalizing
17 this draft report that we hope we can send out and work with
18 groups like this to get comment on and to write input as to
19 what ideas you had about the information that we're pulling
20 together and how we might improve or better demonstrate the
21 programs that we have in place.

22 And with that, I'll just leave it for questions.

23 JAMES A. AJELLO: Thanks, Frank. As he mentioned
24 earlier this morning, Jim Rispoli, it's approximately now
25 2:00 to go over the sites, so I think he had to leave but

1 wanted to say a few words to us in closing.

2 JAMES A. RISPOLI: I just wanted to once again
3 indicate how much we, not just I, but we all appreciate what
4 you're doing. And although I'm heading out now, I know that
5 I'll be getting feedback of your discussions and look
6 forward to that opportunity. So I plan to see you next time
7 around. Thank you all very much.

8 JAMES A. AJELLO: Thank you, Frank. We're at that
9 point in the program where we can take some questions. I
10 know Steve Allred and I are going to moderate a discussion.
11 Steve, would you like to start with any questions and/or
12 comments, and then we can carry on the discussion that way.

13 Thanks very much Frank, for your presentation.
14 Steve?

15 B. STEPHEN ALLRED: Thanks, Jim. I think this is
16 a very useful report. It's one of the, as I talk with
17 people both within DOE and outside, I think this waste
18 disposition issue probably is a most misunderstood part of
19 the program. And I think it's very encouraging, what we've
20 heard.

21 Also just an anecdotal, I know in some of the
22 operations I know it was anticipated to be a significant
23 amount of work from waste. I don't think that's
24 materialized. I think they've been able to find in most
25 cases a path for it. So I'm hoping that as we get more into

1 this issue, waste disposition, we may find we have less of a
2 problem rather than a bigger problem.

3 Just a question on, and I realize it's not perhaps
4 EM, but a question on the non-defense TRU waste. Are there
5 efforts ongoing to resolve that issue and what will happen
6 on those materials?

7 FRANK MARCINOWSKI: First let me address the
8 orphan issue. I agree with you. I think what we're finding
9 is that there's smaller volumes than people had anecdotally
10 thought there were. And that we are finding pathways to
11 deal with that material.

12 And on the non-defense TRU, we don't have a
13 solution to that yet. We are looking into it. We're
14 working the issue. We're going site by site and we have a
15 process for conducting a waste determination and that's to
16 determine TRU, defense or non-defense.

17 So we're working through as many of those that we
18 can and identifying whether it's a defense pedigree or not.

19 And we're hoping through that process that we're going to
20 identify all those non-defense TRU wastes, but that's where
21 we are right now. But we honestly do not have a solution
22 for the non-defense at this point in time.

23 C. STEPHEN ALLRED: It seems to me that that's
24 probably a bigger issue with regard to ongoing programs. I
25 know one that has been discussed and was quite controversial

1 only because a pathway could not be determined for the TRU
2 waste that was associated with it.

3 And again, that's really not an EM question I
4 think, but it's important that it be dealt with with regards
5 to the Department of Energy.

6 FRANK MARCINOWSKI: Sure. Is that, I don't know -
7 - Yes, you're right. The pathway for that was not stated
8 specifically.

9 JAMES A. AJELLO: Dave, do you have a question?

10 DAVID SWINDLE: Yes. That material shows a great
11 deal of thought and process to better organize and execute
12 the programs so compliments there.

13 I guess if you can, to comment a little bit on
14 what I call the acquisition strategy and let me preface
15 this. Several years ago the Department found that on one
16 hand when it started putting national contracts in place
17 that the sites lost visibility to the individual cost
18 elements. Consequently, they didn't manage the generation
19 of waste quite to the rigor it needed.

20 On the other hand, the Department would get the
21 benefit of volume discounts and so forth. And I guess as
22 you're now getting a handle upon things and clearly the
23 number of, at least on the commercial side, the numbers of
24 vendors are shrinking as the market consolidation occurs.

25 In the data that you now have, do you have, or is

1 the Department contemplating, envisioning any future look at
2 say, modifying how the sites are individually paying out of
3 their own budgets for waste disposal but yet using a
4 national contract or individual contracts at the site level?

5 Just some generalization of your acquisition overall.

6 MR. WOLFE: Well, I can't, a better person to
7 comment on that is either Jack or Barry who are sitting back
8 here. We know are more involved with that part of it. What
9 we do feeds into what they're developing on the acquisition
10 side.

11 But I've not heard of any national-type contracts.

12 Actually we do currently have one in place that we used out
13 at the Ohio sites. It currently is an asset that any site
14 that wanted to use it could tap into that. So that's the
15 only one that I'm aware of.

16 DAVID SWINDLE: I'll probably take that
17 separately, but it's again, the consolidation of the
18 marketplace is limiting competition in one aspect, but at
19 the same time, again, you're getting a much clearer handle
20 with again the baselineing going back to what was talked
21 about earlier, of what the potential waste generation
22 elements are.

23 Second question which there's again lessons
24 learned going back to the past, how does, in your planning
25 and formulation of your plans and evaluation does current

1 generation meaning from ongoing operations not EM? They're
2 competing for some of the same storage space or disposal
3 capacity. How is that being worked now within the
4 Department since a lot of that current operations stuff is
5 being pushed back to the Atlanta organizations?

6 FRANK MARCINOWSKI: Sure. A lot of what I've
7 shown here, or what we would call the legacy waste, and that
8 is actually significantly larger volume that will be called
9 newly-generated, or mission-generated waste from future
10 projects.

11 And when I say legacy I'm talking about DND waste,
12 soil volume, - - waste, so anything that is, falls into
13 that category is what's captured here. But newly generated
14 waste is also accounted for at least in some of the
15 categories.

16 I know with TRU, that's not the focus right now,
17 but it's something that will eventually wind up down in - -.

18 It's a defense related TRU. And some of the - - we try to
19 give the sites guidance on how to separate between it, but
20 there is, NSA is supposed to deal with their newly-generated
21 waste and so there is some segregation and that hasn't been
22 sorted out now as of yet. But the volumes that we're
23 talking about are - - magnitude difference between the two.

24 DAVID SWINDLE: Thanks, Frank.

25 DENNIS FERRIGNO: I thought David's question was

1 going to go to a comment that I had written down. You had
2 said, Frank, that you were experiencing larger volumes than
3 forecast at a number of sites, and I think this was a
4 comment that we had made a couple of years ago. And it may
5 be in a different context, but I'll reiterate the,
6 essentially the gist of the comment.

7 We were, when we looked at some of the waste
8 generation, we knew like in the case of WIPP, the
9 transportation and disposal was paid for at one account but
10 yet the generator was under a different account. And the
11 efficiency of volume reduction, waste minimization, even
12 though everyone is spending money and therefore, if we have
13 a cost contract we are obviously incentivized on keeping the
14 costs as low as possible. And the result of that reward is
15 a higher fee.

16 But the reality is that if larger volumes are
17 generated, but puts a burden on another piece of the
18 Department's production that is essentially at the destiny
19 based on someone else's either efficiency or lack thereof.

20 Is there any further thought as far as how the
21 cleanup contractors at the sites might be incentivized or
22 might be phantom payment, even though it may not be a
23 payment? Any further thought of how to couple as opposed to
24 decouple the disposal and transportation costs related to
25 that?

1 Is that too complex a question, or am I getting
2 the gist of what - -

3 FRANK MARCINOWSKI: I understand the question.
4 What I'm struggling with is, I'm not involved in all the
5 acquisition strategies that are put together. I feed my
6 waste piece into what's being considered. But and you
7 started off with TRU and - -

8 DENNIS FERRIGNO: That's just one example.

9 FRANK MARCINOWSKI: Right. And we're working part
10 of this is to better understand that slip between what's
11 happening at the site and what is being paid for by Carlsbad
12 because there wasn't a good understanding of the, what the
13 site was doing as far as retrieving the waste and getting it
14 to, if it's a mobile system that's being paid for by
15 Carlsbad for the characterization.

16 We understood that piece and we understand
17 transportation piece. The retrieval piece was not well
18 understood. And we've got a much better understanding of
19 that right now. Part of this was an end-up study on just
20 that particular issue.

21 As far as the waste volumes being generated, I
22 mentioned that we are better working to understand how we
23 could better estimate those waste volumes. Granted, we're
24 not going to get it perfect. Never going to happen. But we
25 can do a better job than being off by a factor of two or

1 three which is what we found at Fernald and out at Rocky.

2 And so, I think by building some of that into the
3 front end of the contract and then Barry and Jack can work
4 about the incentivization of doing that and we'll work with
5 them to do that. But so I think there are plans to do that.

6 We haven't done it as yet.

7 DENNIS FERRIGNO: The second question I had, can I
8 keep on going? The TSCA incinerator. That, I don't know
9 what the license issue is, and the agreements with the
10 state, but that facility if I recall correctly, and I have
11 some personal involvement in ancient past which, and I don't
12 want to have to redact myself, because I have nothing to do
13 with it any more.

14 But in '86 it was designed and I think it was '86
15 that it was designed and it was built in believe in '87 or
16 '88 or at least in the construction phase.

17 We're talking about a fairly mature facility if I
18 can say that. And now we have a two more year operation.
19 What is the status, I mean, can it take another two years?
20 Do you have to do some changes? If you have to do some
21 added maintenance to keep it going for another two years?

22 FRANK MARCINOWSKI: It is an aging facility. And
23 we've got to do a number of things in order to build in
24 upgrades in order to keep that facility operational. We've
25 got to change the way we blend the waste that we feed into

1 it for burn rates and just for how the waste is moved
2 through more efficiently more so to meet the current
3 emission standards that are going out the stack.

4 So there are a number of things that we need to do
5 to fine tune that systems in order to keep it operational.
6 And so, but the alternative is we've got waste that's
7 sitting there with no place to go.

8 And so we think the best course is to make those
9 upgrades and to make those operational changes in order to
10 tend to the waste that needs to be taken care of. And so,
11 yes. You're right, it's aging. It's got to be, some magic
12 to keep it working. We think we can do that.

13 Beyond two years or a little more than that, it's
14 going to get extremely difficult. And so that's why we
15 established this two-year timeframe. Because we know the
16 map and the air standards from EPA are just going to be
17 impossible to continue to operate the facility.

18 JAMES A. AJELLO: Reminds me of all of our
19 conversations about our power plants. It could be the same
20 exact issue.

21 LORRAINE ANDERSON: Are you doing R&D to reduce
22 the volume of waste? Maybe doing some separation and using
23 some of the materials? It just seems to me that we've used
24 it once. Is it possible that we can use it again for
25 something else? And are you looking in that direction?

1 FRANK MARCINOWSKI: For the low-level and mixed
2 low-level waste, that's difficult to do. So we're using it
3 as fill on sites if we can. Or mainly disposing of the
4 volumes of it for certainly newly generated waste, those are
5 certainly considerations that are being done and being done
6 very effectively.

7 So I'd say, on the TRU side we are starting to
8 separate the waste now that we have available to us for the
9 mixed low-level waste and the higher activity mixed low-
10 level waste.

11 So yes. We're doing some segregating to look at
12 optimization of how we dispose of this material. And for
13 waste reduction, more so with the newly generated than we
14 are with the volumes that we know we have in hand from
15 legacy.

16 JAMES A. AJELLO: Frank, I had a question. I was
17 very intrigued by the front part of your presentation, the
18 spaghetti chart and the things that are going on. That's
19 the specific reason I believe that the Board had asked for
20 us to be able to talk about this again. At least we were
21 not as well acquainted as we might have been.

22 Steve said it best. This is probably the most
23 misunderstood not only generally but with us as well. So I
24 think we have a better understanding.

25 It sounds like you're some way through the process

1 of what I'll call a classical paradox analysis. What do we
2 do if this happens or that happens? It sounds like a very
3 elaborate exercise in contingency planning is where you've -
4 - and you've got to have a lot of alternatives to surprises
5 or events that may not turn out exactly as you first
6 anticipated there.

7 How far do you think you are along in this process
8 of defining all the plans specifically in identifying all of
9 the unknowns that you started talking about here? I wasn't
10 sure where you are on the spectrum of time.

11 FRANK MARCINOWSKI: The initial report on this is
12 actually working its way through the building and we think
13 we're a few weeks from having that available in direct form.

14 That will not be the be all and end all of things.

15 And likewise on the website that I mentioned.
16 We're about the same timeframe on that as well. But we're
17 continuing to work to develop the strategies as well. And
18 that's what we're hoping to get input from a variety of
19 groups on, be focused so we can refine that.

20 I think we're pretty far along right now. We've
21 been working on this for the last nine or ten months and now
22 it's coming to, it's culminating right fairly shortly.

23 JAMES A. AJELLO: And do you think, I know you,
24 we'd asked a question or two before about acquisition
25 strategies. And I know that this is more in the nature of a

1 handoff to your experts there, Jack and the others.

2 But do you think there's some upside in the way
3 you will operate once you've identified these options in the
4 acquisition process? Do you think that will bring you a
5 little more flexibility than you had?

6 FRANK MARCINOWSKI: I believe so. And Jack and
7 his group that I need to get there and talk about this and
8 how we're going to move forward with some of the
9 implementation aspects of that.

10 And I'll be honest. That hasn't happened yet.
11 We've been busy on trying to finalize this. Jack's fairly
12 new so we haven't connected yet. So I don't have a good
13 answer on that yet, but I believe that those communications
14 are going to happen very shortly.

15 JENNIFER A. SALISBURY: Just the sort of ongoing
16 complaint I still hear from the states, Frank. I'm sure
17 this is something you already know. That the eight-week
18 rolling schedule and the schedules that you put together for
19 the transportation side just don't seem realistic yet.

20 And I was curious if you had any comment on that
21 and what you're thinking will be happening in the future.

22 FRANK MARCINOWSKI: We're getting a lot better at
23 it. There had been a significant rescheduling on that
24 eight-week schedule. And some of that was out of our
25 control; some of it would be better in our control. But I

1 think now that AWTP is operating more efficiently, granted
2 there's weather issues that come up there, but you're
3 talking about a day or two change which is not that
4 significant.

5 And so we're getting a pretty steady stream of
6 waste coming out of Idaho. The other ones, smaller volumes
7 of waste. But I think that we're at a point where the
8 operation is stabilizing. And I think that will, well, to
9 stabilize the eight-week rolling schedule as well.

10 And I think that we have a good plan on what sites
11 we're going to focus on, what sites we're going to be moving
12 the waste to.

13 So I think it's going to become a better tool, and
14 I understand the state's frustration. We're frustrated with
15 it as well. But it's the best we have at the time. But we
16 needed to get the operations at sites working efficiently
17 before we can have a schedule for shipping the waste that
18 matched that. So I think we're there. I think we're - -

19 JENNIFER A. SALISBURY: Well, just so long as you
20 recognize there are problems on the other side with the
21 states and trying to make sure that the transportation takes
22 place.

23 The other sort of question I wanted to ask Frank,
24 and maybe Charlie really needs to answer this as well is, if
25 you thought about where the Board could be helpful to you in

1 your area, the disposition area. Any advice that you'd like
2 to have us look into or any area?

3 FRANK MARCINOWSKI: I think additionally I'd like
4 feedback on what we're producing right now as far as the
5 strategies, how we're going about developing the strategies.

6 Should we be looking at something else? Is there some
7 better way of doing it? Because all that's going to be
8 described in this document.

9 And right now, it's been an internal exercise and
10 we would like some feedback from outside organizations about
11 maybe there's a better way to look at this. Maybe there's
12 something we're overlooking. And we need a sounding board
13 at this point in time. And I think that's a starting point.

14 CHARLES E. ANDERSON: I'd probably add too, is it
15 a good tool for communication? I mean if you get into it,
16 because you're close to it, and you say well, its strategies
17 are pretty well, does, it's what Frank is putting out here,
18 is it understandable to interested parties that maybe not, -
19 - to details.

20 C. STEPHEN ALLRED: A question on, one of my
21 concerns is that that's a very limited resource or will be
22 in the future. As far as its capacity is concerned. And I
23 have a concern that the current disposal policy with regard
24 to the limits, and my bigger concern is the lower limits, is
25 encouraging material to go in there that might no otherwise

1 need to go in there. And are you looking at that, or is
2 that a concern?

3 FRANK MARCINOWSKI: Actually the waste - - you
4 sold for Idaho for mixed low-level waste, that's part of
5 that whole concern and the reason there was this blending of
6 material is because we didn't have an option for it at that
7 point in time and now we've got NTS. And so we want to
8 fully utilize that. And Idaho's identified over 20,000
9 cubic meters that's currently managed as TRU waste that
10 doesn't need to go into wet.

11 And we're doing that at Savannah, we're looking at
12 it at Hanford. So yes, I think we are doing that. Yes.

13 JAMES A. AJELLO: Are there other comments or
14 questions for Frank or Charlie? We have a spot on the
15 agenda now for public comment. If there are any, would you
16 please step forward and state your name and comment or
17 questions?

18 ED WANNAMAKER: I've got a couple of comments.
19 One is, Frank, are you working with nuclear materials folks
20 to look at the volumes of materials that are currently
21 stored as surplus nuclear materials that could potentially
22 become declared waste and in turn into your waste forecasts?

23 JAMES A. AJELLO: And Frank, could you state the
24 name of your affiliation or company?

25 ED WANNAMAKER: Yes. I'm working with Fluor

1 Daniel consultant.

2 FRANK MARCINOWSKI: I think, aren't you looking
3 more - -

4 JAMES A. AJELLO: I guess a little clarification.
5 When you say surplus strategic material right now that may
6 enter as waste?

7 ED WANNAMAKER: Yes. A lot of this material, for
8 instance from all the uranium materials that were relocated
9 to Portsmouth and the drums of completed uranium at our
10 Savannah River site that are not currently declared waste or
11 are still in the surplus nuclear material inventories, but
12 potentially could impact your program in the future if they
13 were declared waste and capacities at places like NTS and so
14 on and so forth.

15 CHARLES E. ANDERSON: Yes. It's kind of two-fold
16 where that's being looked at. One is where Frank, there's a
17 pretty good indication is - - Frank's looking at that.
18 Where it's not, we are going back through all of the nuclear
19 materials list and it's going to be tedious and take some
20 time to identify every one of our materials and determine
21 whether we - -

22 And I'll break it down into four categories
23 whether we - - there's a disposition we know about that's
24 documented, has a record of decision or whatever, it's fully
25 documented.

1 A disposition that everybody knows about but it's
2 not documents, something that has to be done from a paper
3 standpoint.

4 Multiple dispositions that we just haven't decided
5 yet where there are several options.

6 And then the fourth category that I refer to is we
7 don't have a clue, don't know what we're going to do with
8 it, orphan materials, those types of things.

9 So we will be going down and going through all of
10 these to make that determination. And depleted uranium I
11 would say has multiple paths. It goes from continuing to be
12 used as a strategic material to being blended with other
13 wastes to make it final waste forms. That's why we're
14 trying to identify each one of those. And as that occurs,
15 then, Frank's forecast, that will be revised to reflect
16 that.

17 JOSEPH ORLANDO: I'm a member of the Savannah
18 River Site Citizens' Advisory Board. I would like to thank
19 the Board for coming down here and giving us the opportunity
20 to meet with you and hear what you have to say.

21 Compliment all the presenters. They've done an
22 excellent job. A lot of information we'll bring back and
23 share with other members of the Board. And there have been
24 several leads on there that we will follow up specifically
25 to the Savannah River Site.

1 But just getting the perspective on where the
2 Savannah River Site fits into the big picture is very
3 helpful to us. I appreciate it and hope you guys come back
4 again. I encourage you to do this, to move around the
5 complex and share this information with everybody.

6 JAMES A. AJELLO: First of all, thank you for your
7 comment. And we were discussing earlier today the value
8 that we have been getting from visiting a complex like this.

9 Not only has everybody been very hospitable and supportive
10 of our getting up to speed on what's happening here on a
11 local basis, I think it's fair to say we too are better
12 understanding where it fits in on a complex-wide basis.

13 And one of the things that the Board believes it
14 needs to do going forward is visit other facilities and
15 complexes. And specifically, although we do as much as we
16 can in terms of sending out notices to people, for example,
17 typically a meeting like this, we would not only have the
18 requisite Federal Register notice but there's a long mailing
19 list of about a thousand parties who are notified in advance
20 that there is a meeting and so forth.

21 But through trial and error what we realize
22 probably is that we need to be more proactive in reaching
23 out so one of the things that is on our agenda to consider
24 is, when we do go to various places to actually form
25 specific appointments and meetings with people who are local

1 to the site that we visit and actually speak out proactively
2 the opinions.

3 And so to hear that you think it's valuable to
4 have us visit only encourages us to do that. So - -

5 UNIDETIFIED SPEAKER: If you're not familiar with
6 our meetings, we're having a meeting actually in Columbia
7 next week. Every two months have full Board meetings and we
8 have sub-committee meetings usually once or twice a month.
9 I think they're all notified. Aren't they in the Federal
10 Register?

11 And if any of you are in the area - - Only the
12 full CAB meeting is in the Federal Register. Jim just
13 corrected me on that. But you're welcome to attend any of
14 our meetings and we'd like to share some of our information
15 with what you have.

16 And again, I found this very informative.

17 JAMES A. AJELLO: Thanks again. Another question?
18 Your name and city.

19 CHARLES HANSON: I'm Charlie Hanson and I'm going
20 to speak as a former Federal employee. I currently work
21 with Parsons here in Aiken. I just want to commend the
22 Board on raising the issue on human capital about the
23 importance of leadership. And making sure we recruit and
24 retain good Federal employees.

25 And I did speak to Mr. Rispoli about this comment

1 so I could make sure he was not going to object to it. But
2 I'd like to commend him particularly for the leadership he's
3 demonstrated on the retention of Federal employees.

4 When he came into the EM-1 position, there was a
5 raging issue over how many Federal employees particularly
6 with technical credentials needed to be - - get out, you
7 know, we need to get rid of those jobs.

8 And the action that he took to sustain the
9 importance of the Federal work force will stick with the
10 Federal work force now for at least the next eight years
11 until that issue resurfaces again.

12 But it's that type of leadership that's critical
13 to retaining good Federal employees. Jeff Allison has a
14 number of outstanding Federal employees in the 35 to 45 year
15 range working for him right now that are quite capable of
16 managing the work out there.

17 And it's those types of folks that are probably
18 most effected by the threat to do away with their jobs. But
19 Jim's leadership did fix that and it's going to continue to
20 require leaders at the EM-1 level to stand up and be counted
21 for.

22 Because when I was serving as the Deputy Manager
23 for Jeff Allison, the concern we heard all the time was, is
24 our management standing up for us or not? Do they
25 understand the importance? And Mr. Rispoli fixed that

1 problem. I'd just like to make sure you all are aware of
2 that.

3 JAMES A. AJELLO: We appreciate that and I know it
4 was within weeks and days of Jim's coming on board that one
5 of the first things he had to do was deal with the so-called
6 A-76 assessment that was being done, although that was
7 working during his appointment when it came on. But he took
8 that bull by the horns right away. And made a decision I
9 think that few people as new in that position would do so
10 quickly. So he was very, very decisive in that and I
11 couldn't agree with you more.

12 Does anybody have any comments about that, or
13 these other conversations? Are there other public comments
14 or questions? We'd be glad to take them. There is one more
15 opportunity to do that at approximately 4:15 today, which
16 will just be previous to the end of the meeting today where
17 we expect to return about 5:00. So if there are no others
18 now, there's another opportunity today and tomorrow morning.

19 The next item on the agenda just after our break,
20 small business contracting. So we will take a break now for
21 15 minutes and be back at 2:30 to take up small business
22 contacting.

23 (OFF THE RECORD)

24 JAMES A. AJELLO: We welcome Barry Smith who's the
25 Director of the Office of Acquisition Management. For the

1 Board that is tab six in your books. Barry, welcome. This
2 is the topic that we've often talked about and it continues
3 to be of interest, and so we appreciate your time today to
4 bring us through current events.

5 BARRY SMITH: Unfortunately the last time we met,
6 we were talking about, I had two issues to talk to you
7 about. One was on acquisition strategy and the other was on
8 small business. And we went long on the acquisition
9 strategy, so we didn't get to cover that.

10 What I'd like to do today is talk about four areas
11 with all of you. And then we can certainly discuss any
12 other issues you want to talk about.

13 I heard somebody make a comment that they thought
14 that the waste program was one of the most confusing issues
15 in the Department. I'm not so sure it's not small business
16 contracting.

17 The issues really revolve around how do you
18 account for small business small subcontracting? What,
19 contracting and subcontracting. And there's a great deal of
20 confusion on prime contracts for the Department and
21 subcontracts to the Department's primes.

22 And the Department and the Federal government
23 actually have ways of tracking both of those separately. So
24 I will talk about that.

25 It turns out that the last two items on that

1 agenda deal with that very issue of how you count small
2 business contracting opportunities.

3 But what I'd like to do is start off with just an
4 update on the performance that the overall EM contracting,
5 small business contracting performance.

6 We have as I mentioned, two types of small
7 business contracts to keep track of. One of those that are
8 primed to the Department of Energy and the other which is
9 more commonly known as subcontracting through our primes,
10 our M&O contractors.

11 The, as I'll mention later, there were some
12 changes in the way the Federal government counted
13 contracting small business contracting for the Department
14 that put us in a position to highlight that we had very few
15 prime small business contracts with the Federal government,
16 DOE as opposed to other Federal agencies. We typically had
17 two to three percent of our small business contract being
18 prime.

19 The Department has tried to make strides in the
20 last several years to increase those numbers of prime
21 contracts that report directly to the Department. And over
22 the last several years, we have awarded probably 11
23 significant prime contracts.

24 And these are contracts beyond the typical ones
25 that used to be awarded for IT or janitorial services in a

1 building. We have made awards to among other things, we
2 have awarded four contracts at Portsmouth and Paducah to
3 small business primes.

4 We have awarded cleanup contracts at Columbus and
5 Ashtabula. We had a laboratory services contract at Hanford
6 that was awarded to a small business concern. And on site
7 here, we had recently a project that's just closing out
8 which was the Glassway Storage Building Two here was a prime
9 contract to the Federal government.

10 The awards have ranged anywhere from 3.8 to almost
11 two hundred million dollars. With the larger ones being the
12 Portsmouth Paducah remediation contracts.

13 I think some of you may have been following the
14 FFTF procurement. That was, had gone out, had been awarded
15 or proposed award. - - protested and gone back through the
16 cycle again. Had gotten to the point where it was about to
17 be awarded and the Department believed that there were other
18 priorities on the Hanford site that really needed to be
19 addressed first. And has put that FFTF award on hold for
20 the time being.

21 The other vehicle that we've employed is the
22 indefinite delivery and definite quantity task order
23 contract where we pre-qualified 22 vendors to do
24 environmental remediation, waste management activities, and
25 non-contaminated DND.

1 We have 22 contracts awarded under that task order
2 arrangement and we're beginning to place some of those
3 contracts right now. We have four of the largest being
4 about a 20 million dollar contract.

5 As far as performance in the prime contracting
6 arena goes, we established annual goals for prime contracts
7 as well as subcontracts and this year our prime contract
8 goal is about 208 million dollars which is roughly 3.35
9 percent of our total projected contract obligations for
10 prime contract

11 The performance in '05 was about, we had set a
12 goal of about 172 million, which was two-and-a-half percent.

13 We actually are right about 203 million dollars and had
14 gone up to about three percent. So we did make an
15 improvement in that regard.

16 The Federal government would like us to raise our
17 prime contracting goal to 23 percent over a 20-year period.

18 The idea of a 20-year period is two fold. It would give us
19 an opportunity over a longer period of time to bring small
20 businesses on board and develop the requisite capability to
21 manage some of the more difficult work that typically has
22 been bundled as an M&O type contract.

23 It is a long road. Twenty years is a long time.
24 It's a significant challenge to get there. We also are
25 going to need to build the capability within the Federal

1 workforce at our sites to be prime contract managers and
2 that includes safety management, as well as a whole gamut of
3 things that the M&O typically has done in small business
4 contracting.

5 As I said, the devil's in the detail on the
6 numbers. And there's been some question about just how
7 successful has the Department been in particularly in its
8 accounting for subcontract awards. Awards that are made by
9 our M&O's.

10 And the GAO in May of last year issued a report
11 that looked at 13 Department of Energy facility M&O's and
12 tried to assess small business subcontracting performance.
13 They went out and looked at statistics over a four-year
14 period.

15 They also looked at the kinds of contracts that
16 were being placed, and exclusions that are allowed under the
17 law in calculating those percentages.

18 Basically when you calculate the percentage, it's,
19 for purposes of this count, it's the number of small
20 business contracts that subcontract, you got a contractor
21 awards divided by his total subcontracting base.

22 And that's what the GAO report focused on. Its
23 intent was to focus on if we're not getting accurate numbers
24 being reported, then we can't possibly be managing the
25 program effectively.

1 One of the findings the GAO had is that their
2 belief was that our prime contractors were inappropriately
3 excluding some procurements that they were issuing from
4 their base, which would in turn inflate their reported
5 percentages of performance on small business subcontracting.

6 There really are only two exclusions allowed. One
7 is if you made an award to an affiliate, the other is if you
8 made an award outside the country to a foreign entity.
9 Those are excluded from your base.

10 As the GAO pulled the string on that and looked at
11 the data, they were finding that exclusions were being taken
12 by M&O's for things like, that the M&O's believed could not
13 be competed in a small business community: Things like
14 utility services on a site. Things like credit card
15 purchase. Things like procurement, directions for
16 procurements that were dictated by law. Certain
17 procurements had to go by law to certain entities. Task
18 orders. GSA task orders. They were deducting those.

19 The GAO found that that was not appropriate and
20 that if you recalculated the percentages adding those back
21 in, very few of the contracts were actually meeting their
22 subcontract goals, which typically run 40 percent of all of
23 the contracts that they - - .

24 The Department's response to that, on the first
25 point, exclusions taken where what had been done previously,

1 DOE historical practices. It was not uncommon for those
2 exclusions to have been. The Department also felt that
3 there were some things that you possibly couldn't not
4 subcontract out to a small company. Utilities are a prime
5 example. You're fixed basically with whoever your service
6 company is.

7 But despite all that, the GAO did find that we did
8 in FY 2004 we did make available 3.3 billion dollars under
9 our small business subcontracting.

10 The GAO recommended that we follow through with
11 contractors to remind them there were only appropriately two
12 exclusions to their subcontracting base. They also
13 indicated they believe that there would need to be
14 additional guidance reminding prime contractors of their
15 obligations for subcontracting and the methodologies that
16 were appropriate for that.

17 And they also recommended that their belief was in
18 the report that percentages don't mean a lot. That a
19 company that maybe places a small dollar value of
20 subcontracts could have a very large small business
21 component if they only made a few placements.

22 If you placed 80 million dollars worth of
23 subcontracts at one site and 40 million was a small
24 business, then you're at a 50 percent goal. If you are at a
25 large site, you could far exceed that and wind up with a

1 lesser percentage. So they believed that absolute numbers
2 were a better indicator.

3 They really were arguing that you should divide;
4 you should sum the total of the small business subcontracts
5 and divide it by the total available site funding as a
6 better indication on the percentage basis of what percent of
7 contracts; what percent of the site's budget is actually
8 going to small business.

9 That by the way is not the way that the Small
10 Business Administration makes you account for it. They
11 actually use a methodology as the percent of all
12 subcontracts you award.

13 So the GAO recommended that as a finding to the
14 Department. The Department accepted three of those findings
15 and disagreed with the third in part. And that was the
16 issue of reporting out the achievements on the basis on the
17 total site budget.

18 As it turns out, we are agreeing to accumulate the
19 data and have the data reported back to us so that we can
20 make that calculation. But in reporting out our
21 accomplishments, we'll continue to stick with the
22 methodologies that the SBA has mandated.

23 We also sent a letter out to the contract
24 community in FY 2006 asking that they certify that they were
25 only taking exclusions for the two items that were allowed

1 and we got returned to that. And a small business programs
2 acquisition letter was issued which you can see in June
3 which addressed the small business prime contracting and
4 subcontracting methodologies and practices in the
5 Department.

6 The GAO touched on the fact they thought there was
7 unfocused management regime for dealing with small business
8 contracting that was hurting the implementations of
9 implementation of small business contracts. They felt that
10 there was a breakdown in communications between the office
11 that has been set up specifically for that tasking, and the
12 line program offices are tasked with implementing it.

13 The Department in response to that has set up the
14 small business working group. The small business working
15 group is comprised of headquarters in the field and line
16 programs. And the intent is to make sure that everybody is
17 on the same page regarding policy in the Department.

18 The EM has also reviewed in FY 2006 each of the
19 subcontracting goals provided by its contractors and we have
20 verified that they are committed to only taking the
21 authorized exclusions.

22 And the last point is what I mentioned about
23 business reps being part of the OS, the Office of Small and
24 Disadvantaged Business Utilization work force, our work team
25 and tasking.

1 By the way, I noticed that in the booklet that GAO
2 report is reprinted in its entirety if you would like to
3 read more specifically about that.

4 As an aside, the GAO is about to publish another
5 report on small business contracting. It is in draft and I
6 think that probably will be out in another month or two. We
7 just got a copy of that the other day to take a look at.

8 DENNIS FERRIGNO: What is the title?

9 BARRY SMITH: You know, I didn't bring it with me.
10 It's along the same lines. It has nearly the identical
11 title. I can provide that to you if you like.

12 Congress is interested in small business contract
13 as well. And in the last years of emergency supplemental
14 appropriation, there was a requirement that the Department
15 work with the Small Business Administration to try to
16 develop a memorandum of understanding on how we were going
17 to report our accomplishments.

18 In the end it's all about the number of small
19 business placements you make. Whether it's a prime or
20 subcontract situation, what we really want to do is make
21 sure that we foster the Federal policy of making available
22 to small business awards where they show requisite
23 capability.

24 So the intent here of Congress was to force SBA
25 and DOE to the table, have them develop an MOU that both

1 agencies understood. So that when we reported that our
2 small business performance was X percent, they would
3 understand what we meant. And when they said, no, it's not,
4 we would understand what they meant.

5 Just as background, historically, and I mentioned
6 this before, the Office of Federal Procurement Policy in
7 1991 did allow us to combine any prime and subcontracted
8 small business awards as a measure of how successful we
9 were.

10 Subsequent to that, eight years later they
11 withdrew that. They withdrew that ability to do that and
12 indicated that we were only going to be allowed to report
13 contracts as prime, or small business participation in prime
14 contracting.

15 So where we were reporting in 18 to 20 percent
16 participation rate, that dropped immediately to about 2.85
17 because much of the small business contracting occurs
18 through the M&O.

19 And I mentioned before, the Department
20 faced with getting to a 23 percent participation level in
21 prime contracts to small business has put together a 20-year
22 plan on how to do that and it has imbedded within it are
23 other goals related to specific kinds of small business
24 contracting whether they be small disadvantaged business or
25 hub zone businesses. So within the 23 percent there are

1 also drivers there as well.

2 I might say that between the year 2000 and 2004,
3 DOE's department had increased its prime contracting to
4 small businesses by over 400 million dollars. Shortly
5 following the rescission, the Department did start to take
6 action to try to increase the number of primes. And it
7 continues to do so. It's a priority for the Department and
8 for EM.

9 The MOU is pretty dry reading. If it's not in
10 your package we can get it for you. It's about a six-page
11 document. But it's like so much of the small business
12 counting game.

13 In order for you, the way we agreed that we would
14 report prime contracts, small business participation on
15 prime contracts was pretty straightforward. It would be our
16 total procurement base in the Department divided by the
17 number by the dollar value of the small business
18 procurements that we place.

19 And that's going to be typically, that's where the
20 numbers I reported earlier to you, that has not changed.
21 That's going to show you that 3.5 to four percent
22 participation range.

23 As it turns out, the MOU just restates what we've
24 always done for subcontracting. Which is to list the small
25 business subcontract dollars divided by the subcontractors,

1 or the prime contractor's procurement base less its
2 exclusions. So that hasn't changed either.

3 What has changed is that the DOE and the Small
4 Business Administration agreed that in certain
5 representations they'll allow the Department to represent
6 its participation by combining both its prime subcontract
7 dollars and its M&O's subcontract dollars divided by the
8 total amount of money available in the Department.

9 They don't track us in that regard. We are still
10 being tracked to prime goals and subcontract goals, which by
11 the way in most contracts is 40 to 50 percent of contracts
12 placed need to be placed with small businesses.

13 But in some representations, I haven't figured out
14 who we're representing it to yet, but we will be allowed to
15 go ahead and combine those two. So that, it's a more
16 accurate reflection of the total amount of dollars going
17 into subcontracting.

18 That in a nutshell is what I had planned to talk
19 to you about today. A couple of comments relative that
20 weren't included in the presentation, just to bring you up
21 to speed on where we are, we're as you're well aware, we
22 have a number of major acquisitions that we're planning on
23 making over the next several years.

24 My new boss is Jack Serash. Jack will be tasked
25 with implementing the program and bringing those on board.

1 We are developing acquisition strategies for the major
2 procurements at Hanford and Savannah River.

3 We have had discussions. It turns out that any
4 award over, I think it's four million dollars. I have to
5 check my numbers. Three or four million dollars has to come
6 back to the Department's Office of Small and Disadvantaged
7 Business Utilization for a justification on why it's not
8 awarded to the small business. So that's a pretty low
9 number.

10 We are developing those acquisition strategies for
11 those documents, for those procurements. We will have to
12 make those justifications to small business. The people
13 basically oversee the small business program in the
14 Department.

15 We anticipate that acquisition will go out with
16 requirements for small business subcontracting among the
17 primes. And our negotiations and discussions internally
18 will be what does that look like? Is it going to be in the
19 40 or 50 percent range? Is it going to specify a dollar
20 value? Those things are under development right now.

21 I think it's fair to say that we recognize that
22 awards to small business are good business for the
23 Department. They have a place. They fit appropriately in
24 the Department. It is Federal policy that we do that.
25 We're learning. We are learning from some of the small

1 business prime placements we've made on how to manage those
2 contracts.

3 The people here at Savannah River I think did an
4 excellent job with the Glassway Storage Building Project
5 which is concluding. Came in under cost and ahead of
6 schedule. After some initial problems relating to managing
7 the project early on, I think things smoothed out and that
8 project went very well. So we're trying to spring board
9 Federal capabilities so that we can position ourselves to
10 manage these contracts effectively.

11 We're learning some from our IDIQ process where we
12 have somewhat smaller procurements, but a lot of the same
13 issues on managing security interfaces and safety
14 interfaces.

15 We are going to do that. We are going to move
16 forward. It makes good business sense to do so. Will we
17 ever get to 23 percent prime contracting? I have a personal
18 opinion about that, but that's not the Department's position
19 right now.

20 We need to do what makes sense. We need to
21 provide opportunity and we need to make sure that the
22 mission gets accomplished. And I think there's a win in
23 that for everybody. I think we can find that middle ground.

24 That's all I'd planned on talking about.

25 JAMES A. AJELLO: Barry, thanks very much. That's

1 very helpful. A good update and this is a big, big
2 challenge area. I know that we've watched this one real
3 closely. Last year there was a workshop in Nashville I
4 think Dennis and Terri attended. It was very helpful for us
5 to get some understanding on the issue as well.

6 I understand it's an evolving issue. I know
7 particularly the conflict between the GAO and the SBA
8 issues. So I'd like to open it up for comment. I know
9 Dennis you were particularly going to take this one up
10 because you were following the small business issue as well.

11 So kick it off for us.

12 DENNIS FERRIGNO: By the way, there is another
13 small business conference. It will be in Seattle I believe,
14 I don't have the specific dates. It's the last week in
15 June, I believe. Do you know exactly what the date is?
16 It's the last week in June, so I'm assuming again we'll have
17 some presentations from the Department to that session.

18 What I'd like to do is open it up to some
19 questions among the Board. Dave, I see you have one. I'm
20 going to hold my questions until the Board starts asking
21 some questions. Dave?

22 DAVID SWINDLE: I guess first sort of similar
23 vein, a philosophical observation. But then get into the
24 practicality because I for one have long been a strong
25 supporter of growing small business because it's essentially

1 where the work force really will grow and come from.

2 I guess over the past few years I've watched
3 somewhat the EM and the Department as a whole try to take a
4 small business and put them in a billion dollar category
5 which in my estimation is not a small business. And so it's
6 misleading I think from a standpoint of trying to force a
7 small business to grow overnight into such a large volume of
8 activity.

9 And the only way that something like that can
10 happen is through the mentor-protégé program. And I don't
11 see any reference to the mentor-protégé program in your plan
12 as you've outlined. And I guess at the end of the day, the
13 ability of small businesses to partner with a mentor in my
14 experience has been absolutely critical in order to achieve
15 the type of sustainability so that small business doesn't
16 fail by becoming a large business.

17 So I'd appreciate comments. What are EM's plans
18 or Department wide plans because the mentor-protégé program
19 is there. In the past, I know DOD provided specific funding
20 line for the large business since it is a - - there's a cost
21 involved in mentoring and I guess we'd be curious in terms
22 of what are if there are plans but just comment on the
23 mentor-protégé.

24 BARRY SMITH: We have had discussions with our
25 office, OSDBU is their acronym. Small business office.

1 We've had specific conversations about mentor protégé. And
2 in fact on one of the procurements that's up coming, we had
3 some fruitful discussions on how to implement that. Let me,
4 I'll leave it at that for now.

5 It is a, as you say, it's a way to bridge over to
6 get a small company qualified, but not having to bear the
7 burden of so much that they'll just collapse. They're
8 doomed to fail from the start.

9 I think we will, as I mentioned, we're developing
10 these strategies and we'll have this continued discussion.
11 I know mentor protégé is always a topic of discussion. And
12 I think we're going to be considering it seriously where
13 it's appropriate.

14 DAVID SWINDLE: And again, there's strategy and
15 then there's benefits. I will just say as an observation
16 that the industry will always find a solution to meet any
17 requirement, but is it, at the end of the day, achieving the
18 goals that is trying to be set out.

19 There is another alternative where a small
20 business mentoring relationship can perform a joint venture
21 and get credit for small business consideration. So there's
22 multiple models. DOD has undertaken a similar set of
23 reviews. And there is a task force for the DOD business
24 advisory board, I believe that's trying to tackle that same
25 thing because it is such a significant part of

1 administrative goals.

2 But I would like to encourage and perhaps Jim, we
3 as a board particularly, you know, understand the goals.
4 The goal is not to put a small business in play so it can
5 fail. It's to put business into a small business that can
6 grow and graduate and then be a large business. And that is
7 the best success story.

8 So certainly offer I think the Board's input to be
9 a sounding board for some of this element. Because that is
10 a key. It's administration policy. It's departmental
11 policy. And we ought to do everything we can to help it
12 succeed.

13 JAMES A. AJELLO: Barry, you mentioned IDIQ
14 contracting approach. We've discussed that here as a group
15 and with you in the past. What is your perspective on using
16 performance contracting for this particular achievement of
17 your goal at small business? Do you think this has a spot?
18 Do you think it has any upside in using it to help get - -

19 BARRY SMITH: You know, we're requiring our
20 procurements for subcontracting plan and the approach has
21 been to identify specific goals that are to be achieved in
22 that. One of the recent contracts, River Corridor Contract
23 actually specifies some hard numbers for those goals.

24 In that sense it's a performance-based element.
25 Whether we would challenge as a specific performance-based

1 incentive some number for small business, I think our
2 strategy would be just imbedded as a requirement of
3 contract.

4 JAMES A. AJELLO: So not necessarily putting fee
5 or some other elements at risk aside from putting up a
6 metric.

7 BARRY SMITH: We haven't yet. It's something we
8 can discuss. If we get a sense that we can't get an
9 adequate response otherwise.

10 CHARLES E. ANDERSON: You're asking about putting
11 an incentive specifically related toward a small business
12 contract. Is that what - -

13 BARRY SMITH: Well, Charlie, just using
14 performance contracting as a technique for the small
15 business community as you award - - just another technique
16 to incentives. So it's a question mark.

17 JAMES A. AJELLO: I personally think that there's
18 a lot of room for growth in IDIQ and performance
19 contracting. I was wondering if you had thought about,
20 since you mentioned IDIQ, whether performance contracting
21 you felt had an opportunity as well to achieve higher goals.

22 BARRY SMITH: I don't know. I don't think we've
23 really given that much thought to that perspective.

24 DAVID SWINDLE: Jim, just to add one other thing
25 to this whole context is one of the biggest challenges and I

1 would just, I'm on the board of contract services
2 association which basically the majority is small businesses
3 that make up their - - the number one issue, doesn't matter
4 whether it's DOE, DOD, any small business is that these
5 rapid-step functions that you know, by taking on a larger
6 contract is the, it slaps them all in the face on the
7 ability to manage cash.

8 Now DOE, if you're an M&O, you've got a direct
9 line to the treasury if is a unique feature of the M&O
10 contract. But the majority of all other contracts, the
11 prime has to carry that burden of cash flow. And certainly
12 know as an average, I would encourage as part of your
13 preparations to take a look at your - - whether at the
14 headquarters prime contract level or at the second tier,
15 meaning at the M&O level and below, to look at the cash
16 payments.

17 The average payments that the Department, as I
18 understand, and these are not accurate numbers, but at least
19 hearing the small businesses, while they have a prompt
20 payment act requirement, it typically is over 60 days for
21 payments. Consequently, there's almost no small business
22 that can sustain an enterprise with that type of cash
23 working capital tied up.

24 Being able to support it, I think, as you devise
25 your strategy, what are those elements that are key to

1 sustaining a successful operation like cash management, and
2 how does the Department deal with it?

3 You know, you've got to have invoices submitted.

4 I mean, there's a lot of requirements that go into the
5 managing the enterprise. And if the Department can help
6 them, it will, I think, help bring up the success rate of
7 viable small businesses.

8 BARRY SMITH: I think there's two possible
9 solutions. One, don't let it take 60 days is the obvious
10 first solution. Be in a position to process payments
11 promptly.

12 The second is, looking at letters of credit, lines
13 of credit that can be extended. It's not uncommon with the
14 M&O community. It's something we can look at for smaller
15 businesses as well.

16 DAVID SWINDLE: The objective is to make them
17 successful.

18 JAMES A. AJELLO: In my business, Dave, we use,
19 and maybe there's some analogies here. We use LC's. We use
20 lock boxes such as escrow accounts. We actually support
21 working capital accounts that the small business, or
22 minority business would have with a local bank. And we also
23 have gone to weekly payments in some cases. Advances on
24 invoices for which there is a credit boxed on milestone
25 achievement.

1 So this is a critical area and it has really
2 helped the numbers that we work to when we can lubricate
3 that cash cycle. I'll put it that way.

4 DENNIS FERRIGNO: There's also the other side of
5 protection of - - with the small business. Because there
6 have been cases I'm sure none of the current contractors - -
7 but there have been cases where small business has cash
8 payments that are due to the organization, not to the
9 project and they will essentially borrow money on
10 receivables. And then cover other debts for other projects
11 and may be come extended with some of their subcontractors
12 for some of their equipment that they've ordered and all of
13 a sudden we have an issue.

14 There are mechanisms like escrow agents that you
15 pay a little bit of a premium. But in that premium you
16 protect government. I'm sure there's a lot of options that,
17 you know, procurement group at DOE is much more experienced.

18 JAMES A. AJELLO: The escrow accounts or lock
19 boxes or bankruptcy remote and proof and they're the
20 ownership of government, or in our case the receiver of
21 services or materials.

22 Their way, the Florentines invented this in the
23 1400's and so if they could do it, we can do it. Steve.

24 D. STEPHEN ALLRED: Just a question. You were
25 talking, and I'm not familiar with fast - - procurement. I

1 guess it raised the question in my mind about when you have
2 a procurement like this, and particularly one that's drawn
3 out, I know in a large business, the proposal costs were a
4 significant issue.

5 I would think with a small business, they would be
6 a much bigger issue. When a contract is not awarded or
7 drawn out like that because of other circumstances, isn't
8 that a real disincentive to small businesses?

9 BARRY SMITH: Absolutely. Absolutely, it is. And
10 in the case of the FFTF contractors who were preparing RFP's
11 and bidding the job, they have voiced that concern. That
12 concern has been discussed on the Hill. Should the
13 Department find a way in not every instance, but instances
14 where it's clear cut it caused damage, should they recoup
15 costs in some respects?

16 The DOE policy is pretty clear on it, and it
17 indicates that we can't do that. But I know that that is
18 being discussed. Certainly it's being discussed on the Hill
19 right now.

20 CHARLES E. ANDERSON: That clearly is an
21 impediment when we talked about some of the hard decisions.
22 That is one of them. That example is one of them. And
23 that was one of the major discussions that we had in
24 relation to that.

25 The other is a number of these forms, I mean,

1 that's a cancellation. We withdraw our holding of the
2 contract. But some of these awards are taking so long, and
3 that's one of the things we're looking at right now, is what
4 steps can we take to minimize - - even in an award, you want
5 to minimize the cost of proposal preparation. Because to a
6 small business, I mean, that's a significant impact to them.

7 DAVID SWINDLE: And there's that provision of the
8 FAR that basically if audited, a small business must be able
9 to show that they contributed substantially, what is it?
10 Like 50 plus percent of the cost of the preparation of the
11 proposal. Because I've seen in protest situations that
12 they've been overturned when it's been determined that a
13 large business partner in whatever capacity is carrying a
14 larger share of the proposal burden. And that's in these
15 larger procurements in the multi-hundreds of dollars are not
16 low cost proposals.

17 BARRY SMITH: And I think Jim Rispoli, by bringing
18 on Jack, is interested in streamlining the process. We've
19 got to turn these procurements around. From RFP out to
20 award, we've got to help streamline that process and not
21 keep people hanging in for extended periods of time.

22 DENNIS FERRIGNO: Two issues that I was hoping to
23 discuss and maybe we could discuss them and follow on
24 discussion, concerning small businesses. This is one
25 burden, and I think you mentioned it, Barry, although I

1 don't see it in the presentation here, but the burden on the
2 EM Federal work force and the staff on having additional
3 direct-line contracts. And changing the role possibly in
4 certain sites where all of a sudden you're in an almost like
5 a management integration role as opposed to the current
6 roles that we are in now.

7 And the second question, or the second issue that
8 I would like to maybe discuss is, in the five-year plan, and
9 it's really how is the fabric of the plan broken up? It's
10 broken up, the one we received is by site. And it has a
11 contracts analysis on each of the sites and what you're
12 doing.

13 In some cases it identifies like Ashtabula, like
14 Columbus, and some of the historical and some of the current
15 aspects of what you're going to do for small businesses.
16 But in the large sites, it seems to be buried as to what
17 small business strategy there is anticipated.

18 Knowing that we have an aggressive target for 20-
19 year plan and we have a five-year plan, I guess I'd like to
20 maybe have a little discussion on how does the small
21 business plan integrate to the current five-year plan that
22 we have that's on our table right now that has been issued
23 in March, 2006.

24 So those are the two things I'd like to maybe
25 discuss.

1 BARRY SMITH: Let's talk about the five-year plan
2 first. I would say that at the present time, the five-year
3 plan has not integrated a small business strategy for the
4 larger sites.

5 I think the intent is that those goals for
6 increasing participation will be developed as a part of
7 individual procurement acquisition strategies and that they
8 will roll over and then in essence become the site strategy
9 for how it moves along.

10 Could the five-year plan benefit from that as a
11 sub-topical area that needs to be addressed? Perhaps. I
12 think the approach taken is to try to push for the
13 Department strategy on small business through individual
14 acquisitions. So that's kind of where we are on that right
15 now.

16 Regarding your first comment on the burden on EM
17 work force, we haven't had enough of these projects to
18 really understand or to quantify what the burden has been.
19 We've assumed it's going to be a large one. It's a role
20 that Fed's typically did not play, the integrating role, for
21 example that you were mentioning.

22 We don't have a lot of experience yet in that. I
23 think what we will try to do is to capture lessons that
24 we've learned off that, things that have worked well. I
25 think the project here at Savannah River worked well. We

1 need to capture how they approach that, how it did the
2 interfaces. They did a pretty good job of drawing a box
3 where the interfaces occurred with the existing M&O
4 contractor.

5 But relative to oversight of safety, as an
6 example, provision of security, integration of quality
7 assurance, we're going to have to capture that. We just
8 don't know yet.

9 It certainly, if we're going to implement this as
10 a matter of course, we're going to have to develop that
11 capability.

12 CHARLES E. ANDERSON: I have a, as a person in
13 this position, you know, part of my plan on the future of EM
14 view on this, and I don't consider it purely a burden. I
15 think that, I know that a number of the Federal employees
16 were both energized that were a part of the oversight of
17 some of these prime contractors. They learned a lot about
18 programs that they should have already known.

19 And from that standpoint, I see instead of a
20 burden, I see we're actually getting a benefit out of it for
21 the Federal workforce, not just on the small business, but
22 then to the other contracts that they provide oversight.

23 And oversight's a funny thing. A lot of people
24 come into it coming from somewhere else. I mean, that's why
25 they're hired, to bring expertise in. But after performing

1 oversight for 10, 15, 20 years, you sometimes lose a little
2 of your edge as far as performing your oversight,
3 particularly in the large M&O.

4 M&O has a lot of systems. You know if the
5 systems are working well. We look at it from a high, a very
6 high standpoint. When you look at the, two years ago the
7 fatalities that Savannah River had, brought a lot of things
8 to light about safety oversight. And you look at some of
9 the near misses from a safety standpoint at ETP, Hanford
10 and other sites. It brings to sight what we really need to
11 be focusing on.

12 And I can see particularly in the Glassway Storage
13 Building, I saw a tremendous learning curve to understanding
14 interfaces. To understanding the safety programs and the
15 other programs that we're supposed to be providing oversight
16 from.

17 So you deal, not only will you hear more from me
18 about that, you'll see more in Jim Fiore's human capital
19 development program for that also.

20 I mean, there's a limit to that. Because there's
21 a limited number of FTE's that we're charged with actually
22 doing oversight. But that is something you'll see more and
23 more, that is more of a benefit than it is a burden.

24 DENNIS FERRIGNO: Reading that plan, the impact of
25 oversight might be needed to be articulated or something.

1 DAVID SWINDLE: I guess one other thing, going
2 back to this, refreshing on some of the GAO findings and
3 what led to the SPAMOU is if you look at the way the
4 Department is structured, through the M&O contracts, M&O
5 contracts are considered prime contracts, and that's where
6 you get that first-year accountability. Yet if I recall
7 from some of the Department's own statistics, that the M&O's
8 because of the way they do their work, they'll get the major
9 primes to go execute, let's call it a construction project
10 or whatever. But most of their execution, there again who
11 they turn to, actually are small businesses. But there's no
12 credit for that in the system.

13 And I guess, and that's been a debate ongoing
14 through the whole Small Business Administration of if you
15 really come right down to it, you know, how do you get
16 credit because the M&O is in essence an extension of the
17 Federal work force in many ways compared to how DOD and
18 other agencies, they choose to execute.

19 And certainly, the recognition that there is a lot
20 more small business subcontracting being done by below that
21 M&O level shouldn't be lost in all the presentation of its
22 statistics, because in fact it is occurring by local and so
23 forth.

24 And it's a constant dilemma. And I know there's
25 this DOD team that's looking at that as how do you redefine

1 some of the subcontracting in terms of what would be
2 recognized as to where the real small business credit gets
3 accounted for. And the Department's got a great opportunity
4 for the volume it does. It will take some leadership for
5 that.

6 DENNIS FERRIGNO: What I heard from Barry, and it
7 rung pretty strong and what I heard was, we're going to do
8 the right thing. And that's got to be the theme. We're
9 going to do the right thing.

10 One other thing and that is, June 27, 28, that's
11 the date for the Small Business Conference in Seattle.

12 Probably there will be questions again like last
13 session on what is the Department's forecast on the IDIQs.
14 Because when they were bid, they were - - I'm not sure if
15 this is a correct number, but it was in the less than a
16 billion, but probably in the 800 million range of contract
17 capacity.

18 We're two years into those awards. Probably the
19 community will probably want a little summary of how much of
20 that capacity has been burned off and how does the forecast
21 of those contracts be over the next year. So.

22 Any other questions in this? Well, I appreciate
23 you coming. I know you were under the gun, Barry, this
24 week. So you flew in today, and you're flying out. So I
25 appreciate your being here.

1 JAMES A. AJELLO: Thank, Barry. That concludes
2 the set of presentations he had today. We have an
3 opportunity now for more public comment. If there's any,
4 please do step up to the microphone, state your name, and
5 organization and any question or comment, if you can.

6 ED WANNAMACHER: Ed Wannamacher again for - - just
7 wanted to pass on, I appreciate the complexity of the small
8 business issue, and as you're planning for these upcoming
9 acquisitions, there's an opportunity to challenge your
10 contractors in helping you fix this problem and come up with
11 a solution as to how to better integrate small business into
12 executions, scope of work, - - some major procurements.

13 JAMES A. AJELLO: Thank you. Are there any other
14 comments or questions from the audience?

15 That concludes our session for today. I want to
16 do a couple of things in conclusion.

17 Number one, remind the group that we're
18 reconvening tomorrow morning at 9:00. It will be about a
19 half-day session including public comment period.

20 And the other thing I want to do is recognize all
21 the support and effort that we've had in this visit in
22 particular. The support from the Savannah River folks and
23 to my left, Terri Lamb who is our executive director.

24 Let me just say a couple of words about that
25 position and e-map, because I don't think it's well

1 understood.

2 Terri is our coordinator for all activities that
3 we have with the Department. She also keeps us informed of
4 all these complex issues. It's probably not a week or two
5 goes by that we're not receiving some updated communications
6 regarding the program.

7 The Board meets only periodically. And so those
8 interim updates are really important. She also provides us
9 access to key decision makers and conversations that we have
10 - - in, so I appreciate the work that Terri does.

11 And for those of you in the audience and any
12 others who want to communicate with the Board, she is really
13 the access point to do that, although some people decide to
14 communicate directly, it's better if we do communicate in
15 this kind of way through Terri so that we make sure all the
16 correspondence and comments and queries are documented.

17 I think each of us are so busy that if left,
18 certainly to my own devices, I would not be able to be as
19 organized as Terri. So I want to encourage any further
20 comments beyond today and tomorrow to get to Terri so that
21 we might have them in a uniform and very well done basis
22 which is typically the case.

23 So we're adjourned for today, and we'll reassemble
24 tomorrow morning at 9:00. Thank you very much for your
25 attendance.

EXECUTIVE COURT REPORTERS

1 (OFF THE RECORD)

2 (Whereupon, the meeting in the above entitled
3 matter was adjourned at 3:22 p.m. and is to reconvene at
4 9:00 a.m. on March 23, 2006 in the same place.)

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